

KENTUCKY POWER COMPANY
Comparison of Current and Proposed Rates

Tariff	CURRENT RATES					PROPOSED RATES									
	Demand	Excess KVAR	Off Peak Excess	Energy	Customer	Demand	% Change	Excess KVA/KVAR	% Change	Off Peak Excess	% Change	Energy	% Change	Customer	% Change
	(2) \$/kW or kVA	(3) \$/kVAR	(4) \$/kW	(5) c/kWh	(6) \$/mo	(7) \$/kW	(8)	(9) \$/kVA/KVAR	(10)	(11) \$/kW	(12)	(13) c/kWh	(14)	(15) \$/mo	(16)
MGS-LM-TOD															
On-Peak				8.606	3.00							11.388	32.3%	3.00	0.0%
Off-Peak				3.059								2.793	-8.7%		
MGS-TOD															
On-Peak				8.606	11.60							11.388	32.3%	14.30	23.3%
Off-Peak				3.059								2.793	-8.7%		
LGS															
- Secondary	2.97			4.078	85.00	3.54	19.2%	2.97	-			5.107	25.2%	85.00	0.0%
- Primary	2.97			3.419	127.50	3.45	16.2%	2.97	-			4.374	27.9%	127.50	0.0%
- Subtransmission	2.97			2.890	535.50	3.37	13.5%	2.97	-			3.274	13.3%	535.50	0.0%
- Transmission	0.00			0.000	0.00	3.32	-	2.97	-			2.861	-	535.50	-
LGS-LM-TOD															
On-Peak				7.226	81.80							9.625	33.2%	81.80	0.0%
Off-Peak				2.414								2.767	14.6%		
QP															
- Secondary															
On-Peak Billing Demand	0.00	0.00		0.000	0.00	14.27	-	0.72	-			2.162	-	276.00	-
Off-Peak Billing Demand	0.00					5.00	-								
- Primary															
On-Peak Billing Demand	9.29	0.57		1.726	276.00	12.44	33.9%	0.72	26.3%			2.107	22.1%	276.00	0.0%
Off-Peak Billing Demand	0.90					3.46	284.4%								
- Subtransmission															
On-Peak Billing Demand	8.51	0.57		1.677	662.00	9.60	12.8%	0.72	26.3%			2.076	23.8%	662.00	0.0%
Off-Peak Billing Demand	0.86					0.93	8.1%								
- Transmission															
On-Peak Billing Demand	7.88	0.57		1.661	1,353.00	8.13	3.2%	0.72	26.3%			2.050	23.4%	1,353.00	0.0%
Off-Peak Billing Demand	0.85					0.80	-5.9%								
CIP-TOD															
- Primary															
On-Peak	8.60	0.60		1.726	276.00	14.78	71.9%	0.72	20.0%			1.725	-0.1%	276.00	0.0%
Off-Peak	2.02					3.84	90.1%								
- Subtransmission															
On-Peak	7.89	0.60		1.677	662.00	11.68	48.0%	0.72	20.0%			1.699	1.3%	662.00	0.0%
Off-Peak	1.23					1.03	-16.3%								
- Transmission															
On-Peak	7.34	0.60		1.661	1,353.00	10.11	37.7%	0.72	20.0%			1.677	1.0%	1353.00	0.0%
Off-Peak	1.05					0.89	-15.2%								
Minimum Demand Charge															
- Primary															
- Subtransmission	9.89					15.85	60.3%								
- Transmission	8.99					12.73	41.6%								
- Transmission	8.32					11.15	34.0%								

KENTUCKY POWER COMPANY
Comparison of Current and Proposed Rates

Tariff	CURRENT RATES					PROPOSED RATES									
	Demand/Lamp	Excess	Off Peak	Energy	Customer	Demand/Lamp	Excess	Off Peak	Energy	Customer	% Change	% Change	% Change	% Change	
	Charge	KVAR	Excess	Energy	Customer	Charge	% Change	KVAR	% Change	Excess	% Change	Energy	% Change	Customer	% Change
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	\$/kVA or mo	\$/kVAR	\$/kW	c/kWh	\$/mo	\$/kVA or mo		\$/kVAR		\$/kW		c/kWh		\$/mo	
MW															
All Energy				4.658	22.90							5.677	21.9%	22.90	0.0%
Minimum Charge	3.05					3.65	19.7%								
OL															
Mercury Vapor															
175 Watt	5.36					8.40	56.7%	--	--	--	--	--	--	--	--
400 Watt	8.95					14.00	56.4%	--	--	--	--	--	--	--	--
High Pressure Sodium															
100 Watt	5.22					7.60	45.6%	--	--	--	--	--	--	--	--
150 Watt	6.18					8.40	35.9%	--	--	--	--	--	--	--	--
200 Watt	7.89					10.10	28.0%	--	--	--	--	--	--	--	--
400 Watt	12.75					15.35	20.4%	--	--	--	--	--	--	--	--
Floodlights															
200 Watt HPS	9.17					11.55	26.0%	--	--	--	--	--	--	--	--
400 Watt HPS	12.61					15.30	21.3%	--	--	--	--	--	--	--	--
250 Watt MH	14.37					17.25	20.0%	--	--	--	--	--	--	--	--
400 Watt MH	18.81					22.60	20.1%	--	--	--	--	--	--	--	--
1000 Watt MH	40.37					48.55	20.3%	--	--	--	--	--	--	--	--
Post Top															
175 Watt MV	6.24					9.75	56.3%	--	--	--	--	--	--	--	--
100 Watt HPS	8.99					10.80	20.1%	--	--	--	--	--	--	--	--
150 Watt HPS	14.69					17.65	20.1%	--	--	--	--	--	--	--	--
Wood Pole	1.80					2.30	27.8%	--	--	--	--	--	--	--	--
Overhead Wire	1.00					1.30	30.0%	--	--	--	--	--	--	--	--
Underground Wire	5.35					5.35	0.0%	--	--	--	--	--	--	--	--
SL															
Overhead Service on Existing Distribution Poles															
High Pressure Sodium															
100 Watt	4.56					5.60	22.8%	--	--	--	--	--	--	--	--
150 Watt	5.10					6.35	24.5%	--	--	--	--	--	--	--	--
200 Watt	5.93					7.80	31.5%	--	--	--	--	--	--	--	--
400 Watt	8.22					11.20	36.3%	--	--	--	--	--	--	--	--

KENTUCKY POWER COMPANY
Comparison of Current and Proposed Rates

Tariff	CURRENT RATES					PROPOSED RATES									
	Lamp/Demanc	Excess	Off Peak		Customer	Lamp/Demand	Excess		Off Peak			Customer			
	Charge	KVAR	Excess	Energy		Charge	% Change	KVA/KVAR	% Change	Excess	% Change	Energy	% Change	Customer	% Change
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	\$/mo or kW	\$/kVAR	\$/kW	c/kWh	\$/mo	\$/mo or kW		\$/kVAR		\$/kW		c/kWh		\$/mo	
SL (Cont.)															
Service on New Wood Distribution Poles															
High Pressure Sodium															
100 Watt	7.19					8.95	24.5%	--	--	--	--	--	--	--	--
150 Watt	7.85					9.70	23.6%	--	--	--	--	--	--	--	--
200 Watt	9.17					11.20	22.1%	--	--	--	--	--	--	--	--
400 Watt	11.47					14.55	26.9%	--	--	--	--	--	--	--	--
Service on New Metal or Concrete Poles															
High Pressure Sodium															
100 Watt	14.63					14.65	0.1%	--	--	--	--	--	--	--	--
150 Watt	15.20					15.20	0.0%	--	--	--	--	--	--	--	--
200 Watt	19.20					19.20	0.0%	--	--	--	--	--	--	--	--
400 Watt	20.02					20.00	-0.1%	--	--	--	--	--	--	--	--
CATV															
Charge for attachments on a two-user pole						\$4.97	per pole / year							10.63	113.9%
Charge for attachments on a three-user pole						\$5.53	per pole / year							6.59	19.2%
COGEN/SPP I															
Standard Measurement						\$5.90	Single Phase							6.75	14.4%
						\$11.20	Polyhase							8.45	-24.6%
TOD Measurement						\$15.00	Single Phase							7.55	-49.7%
						\$20.25	Polyhase							8.85	-56.3%
Energy Credit															
Standard Meter				1.57								2.81	79.0%		
TOD Meter															
On-Peak KWH				1.72								3.54	105.8%		
Off-Peak KWH				1.45								2.29	57.9%		
Capacity Credit															
Standard Energy Meter	0.95	Per kW / Mo.				0.78	-17.9%								
TOD Energy Meter	2.10	Per kW / Mo.				1.87	-11.0%								
COGEN/SPP II															
Standard Measurement						\$5.90	Single Phase							6.75	14.4%
						\$11.20	Polyhase							8.45	-24.6%
TOD Measurement						\$15.00	Single Phase							7.55	-49.7%
						\$20.25	Polyhase							8.85	-56.3%

KENTUCKY POWER COMPANY
Comparison of Current and Proposed Rates

Tariff	CURRENT RATES					PROPOSED RATES									
		Excess	Off Peak		Customer	Demand	% Change	Excess	Off Peak	Excess	% Change	Energy	% Change	Customer	% Change
	(2)	KVAR (3)	Excess (4)	Energy (5)	(6)	(7)	(8)	KVAR (9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	\$/kVAR	\$/kW	c/kWh	\$/mo	\$/kW		\$/kVAR		\$/kW		c/kWh		\$/mo		
COGEN/SPP II (Cont.)															
Energy Credit															
Standard Meter				1.57								2.81	79.0%		
TOD Meter															
On-Peak KWH				1.72								3.54	105.8%		
Off-Peak KWH				1.45								2.29	57.9%		
Capacity Credit															
Standard Energy Meter		0.95 Per kW / Mo.				0.78	-17.9%								
TOD Energy Meter		2.10 Per kW / Mo.				1.87	-11.0%								
NUG															
- Subtransmission	3.25	0.60				4.59	41.2%	0.72	20.0%						
- Transmission	2.28	0.60				2.54	11.4%	0.72	20.0%						

KENTUCKY POWER COMPANY
Comparison of Current and Proposed Rates

<u>Ts & Cs</u>	CURRENT RATES					PROPOSED RATES									
	<u>Demand</u>	<u>Excess</u>	<u>Off Peak</u>	<u>Energy</u>	<u>Other</u>	<u>Demand</u>	<u>% Change</u>	<u>Excess</u>	<u>% Change</u>	<u>Off Peak</u>	<u>% Change</u>	<u>Energy</u>	<u>% Change</u>	<u>Other</u>	<u>% Change</u>
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	\$/kW	\$/kVAR	\$/kW	c/kWh	\$/mo	\$/kW		\$/kVAR		\$/kW		c/kWh		\$/mo	
Reconnect & Disconnect Charges															
Reconnect for non-payment - regular hours					9.00									38.00	322.2%
Reconnect for non-payment - overtime hours					12.00									42.00	250.0%
Reconnect for non-payment - call out					25.00									76.00	204.0%
Reconnect for non-payment - double time					31.00									100.00	222.6%
Termination or field trip					6.00									23.00	283.3%
Returned Check Charge					5.00									7.00	40.0%
Meter Test Charge					10.00									69.00	590.0%

I. Proposed Revenue

	Billed & Accrued Revenue	Fuel Revenue	Base Revenue	Employee Discount	Adjusted Base Revenue
Total RS Revenue Requirement					
Demand	112,180,313	\$0	\$112,180,313	\$46,767	\$112,227,080
Energy	38,457,396	(1,392,220)	39,849,616	16,613	39,866,229
Customer	14,960,925	0	14,960,925	6,237	14,967,162
Total	\$165,598,634	(\$1,392,220)	\$166,990,854	\$69,617	\$167,060,471

II. Customer Charge

Full Cost Customer Revenue	\$14,967,162	/	1,723,161	Bills	=	\$8.69 /mo.
				Current charge	=	\$4.25 /mo.
				Proposed Customer Charge	=	\$5.50 /mo.
Proposed Customer Charge	1,723,161	x	\$5.50		=	\$9,477,386

III. Off-Peak Energy Charge

Energy Revenue Requirement	\$39,866,229					
Total Energy (kWh)	2,343,504,821					
Total Secondary Energy Charge	\$0.01701 /kWh					
Fixed Cost Adder	\$0.01000 /kWh					
Proposed Off-Peak Energy Charge	\$0.02701 /kWh					
Off-Peak % Usage	55.61%					
Off-Peak kWh Energy	1,303,223,031					
Off-Peak Revenue	1,303,223,031	x	\$0.02701		=	\$35,200,054

IV. On-Peak Energy Charge

Total RS Base Revenue	\$167,060,471
Less: Customer Revenue	9,477,386
Less: Off-Peak Energy Revenue	35,200,054
On-Peak Revenue	\$122,383,031
Total RS Energy	2,343,504,821
Less: Off-Peak kWh Energy	1,303,223,031
On-Peak kWh Energy	1,040,281,790

Proposed On-Peak Energy Charge \$0.11764 /kWh

V. Revenue Verification

	Units	Rate	Revenue	Difference
On-Peak	1,040,281,790 kWh	\$0.11764 /kWh	\$122,378,750	
Off-Peak	1,303,223,031 kWh	\$0.02701 /kWh	35,200,054	
Customer	1,723,161 Bills	\$5.50 /Mo.	9,477,386	
Total	2,343,504,821 kWh		\$167,056,190	(4,281)

VI. Time-of-Day Customer Charges

	Standard Cust. Charge	TOD Cust. Charge	Differential
Current Charges	\$4.25	\$6.75	\$2.50
Proposed Standard Charge	\$5.50		
Current Differential	\$2.50		
Proposed RS-LM-TOD	\$8.00		

VII. RS-TOD Proposed Revenue

	Units	Rate	Revenue
RS-LM-TOD			
On-Peak	1,602,966 kWh	\$0.11764 /kWh	\$188,573
Off-Peak	4,063,552 kWh	\$0.02701 /kWh	109,757
Customer	2,373 Bills	\$8.00 /Mo.	18,984
Total	5,666,518 kWh		\$317,314

VIII. Revenue

	Base Revenue	Revised Revenue
Total RS Revenue Requirement		
Demand	\$112,227,080	\$112,013,916
Energy	\$39,866,229	39,790,507
Customer	\$14,967,162	14,938,733
Total	\$167,060,471	\$166,743,156
Less RS-TOD Revenue	\$317,314	
Revised RS Revenue	\$166,743,157	

IX. Customer Revenue

Customer Charge Revenue	1,720,788 Bills	x	\$5.50 /mo.	\$9,464,334
Residual Customer Revenue	\$14,938,733	-	\$9,464,334	= \$5,474,399

X. Standard Energy Rates

Storage Water Heating Revenue	451,141 kWh	x	\$0.02701 /kWh (Off-Pk)	\$12,185
Residual Customer Revenue	\$5,474,399			
First 500 kWh	714,122,566 kWh			
Residual Customer Differential	\$0.00767			
Revised RS Revenue	166,743,157			
Less: Customer Revenue	9,464,334			
Less: Storage Water Htg Revenue	12,185			
Less: Residual Customer Revenue	5,474,399			
Energy Charge Revenue - All Blocks	\$151,792,239			
All kWh	2,337,387,162			
Standard Energy Rate - All Blocks	\$0.06494 /kWh			
Rates	Energy	Residual Customer	Total	
First 500	0.06494	0.00767	0.07261	
Over 500	0.06494		0.06494	

XI. RS Revenue Verification

	Units	Rate	Revenue	Difference
First 500 kWh	714,122,566 kWh	\$0.07260 /kWh*	\$51,845,298	
Over 500 kWh	1,623,264,596 kWh	\$0.06494 /kWh	105,414,803	
Storage Water Heating	451,141 kWh	\$0.02701 /kWh	12,185	
Customer	1,720,788 Bills	\$5.50 /mo.	9,464,334	
Total	2,337,838,303 kWh		\$166,736,620	(6,537)

*Revised after revenue verification

XII. Revenue Verification - Employee

<u>Billed on Employee Rates:</u>	Units	Rate	Revenue	
All Standard kWh	13,646,527 kWh	\$0.06494 /kWh	\$886,205	
Customer	1,846 Bills	\$2.75 /mo.	5,077	
Storage Water Heating	33,944 kWh	\$0.02701 /kWh	917	
Total	13,680,471 kWh		\$892,199	
Time of Day:				
On-Peak kWh	97,669 kWh	\$0.11764 /kWh	\$11,490	
Off-Peak kWh	291,495 Bills	\$0.02701 /kWh	7,873	
Customer	171 kWh	\$0.00 /mo.	0	
Total	97,840 kWh		\$19,363	
Total Employee	\$892,199	+	\$19,363 =	\$911,562

XIII. Revenue Verification - Employee Discount

<u>Billed on Standard Rates:</u>	Units	Rate	Revenue	
First 500 kWh	3,886,500 kWh	\$0.07260 /kWh	\$282,160	
Over 500 kWh	9,760,027 kWh	\$0.06494 /kWh	633,816	
Customer	7,919 Bills	\$5.50 /mo.	43,555	
Storage Water Heating	33,944 kWh	\$0.02701 /kWh	917	
Total	13,680,471 kWh		\$960,448	
Time of Day:				
On-Peak kWh	97,669 kWh	\$0.11764 /kWh	\$11,490	
Off-Peak kWh	291,495 kWh	\$0.02701 /kWh	7,873	
Customer	171 Bills	\$8.00 /mo.	1,368	
Total	389,164 kWh		\$20,731	
Total Employee	\$960,448	+	\$20,731 =	\$981,179
Total Employee Discount:	\$981,179	-	\$911,562 =	\$69,617

XIV. Residential Summary

Schedule	Bills	kWh	Revenue	Difference
RS	1,720,788	2,337,838,303	\$166,736,620	
RS-TOD	2,373	5,666,518	317,314	
Employee Discount			(69,617)	
Total Billed	1,723,161	2,343,504,821	\$166,984,317	(\$6,537)

I. Proposed Revenue

	Billed & Accrued Revenue	Fuel Revenue	Base Revenue
Demand	\$3,690,695	\$0	\$3,690,695
Energy	1,210,677	-41,948	1,252,625
Customer	2,473,264	0	2,473,264
Total	\$7,374,636	-\$41,948	\$7,416,584
Less: SGS-TOD	\$3,106	(\$19)	\$3,125
SGS - Excl. TOD			
Demand	\$3,689,141	\$0	\$3,689,141
Energy	1,210,167	-41,929	1,252,096
Customer	2,472,222	0	2,472,222
Total	\$7,371,530	-\$41,929	\$7,413,459

II. Non-Metered Customer Charge

Meter Plant (370)	\$3,791,663	Customer Base Revenue	\$2,473,264
Net Plant/Gross Plant Percentage	69.00%	Less: Meter Plant Revenue	513,358
Depreciated Meter Plant	2,616,331	Meter O&M Expense (586 & 597)	104,668
Return on Rate Base	11.78%	Meter Reading Expense (902)	203,075
Income	308,204	Adj. Customer Revenue	1,652,163
GRCF	1,665,645	/ Bills	221,360
Meter Plant Revenue	513,358	Proposed Non-Metered Customer Charge	7.46
		Use:	\$7.50

III. Standard Customer Charge

Customer Revenue	\$2,472,222			
Less: Non-Metered Customer Rev.	124,253			
Residual Customer Revenue	\$2,347,969	/	204,721 Bills	= \$11.47 /mo.
				Use: \$11.50 /mo.
Standard	\$11.50	x	204,721 Bills	= \$2,354,292
Non-Metered	\$7.50	x	16,567 Bills	= \$124,253

IV. Energy Charges

	Current Rate		Overall Increase		Proposed Rate		Units	
Over 500 kWh Charge	0.04114	x	19.21%	=	0.04904	x	31,572,306	= \$1,548,306
Revenue Requirement	\$7,413,459							
Less: Standard Customer Revenue	2,354,292							
Less: Non-Metered Customer Revenue	124,253							
Less: Over 500 kWh Charge Revenue	1,548,306							
	\$3,386,608							
First 500 kWh Charge	\$3,386,608	/	39,007,247	=	\$0.08682			

V. Revenue Verification

	Units	Rate	Revenue	Difference
Energy - First 500 kWh	39,007,247 kWh	\$0.08682 /kWh	\$3,386,609	
- Over 500 kWh	31,572,306 kWh	\$0.04904 /kWh	\$1,548,306	
Standard Customer	204,721 Bills	\$11.50 /mo	2,354,292	
Non-Metered Customer	16,567 Bills	\$7.50 /mo	124,253	
Total Base Revenue			\$7,413,460	\$1

VI. Off-Peak Energy Charge

Energy Revenue Requirement	\$1,252,625 /	70,611,070 kwh	\$0.01774
Fixed Cost Adder			<u>0.01000</u>
Calculated Off-Peak Energy Charge			\$0.02774
Use: Residential Off-Peak Energy Charge			<u>\$0.02701</u>
Off-Peak % Usage			<u>55.28%</u>
Off-Peak kWh			39,033,799
Off-Peak Revenue			\$1,054,303

VII. On-Peak Energy Charge

Total SGS Base Revenue	\$7,416,584
Less: Standard Customer Revenue	2,354,292
Non-Metered Customer Revenue	124,253
Time-of-Day Customer Revenue	1,087
Time-of-Day Off-Peak Revenue	<u>1,054,303</u>
On-Peak Revenue	\$3,882,649
On-Peak kWh Energy	<u>31,577,271</u>
Proposed On-Peak Energy Charge	\$0.12296 /kWh

VIII. Revenue Verification

	<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Difference</u>
On-Peak	31,577,271 kWh	\$0.12295 *	\$3,882,425	
Off-Peak	39,033,799 kWh	\$0.02701	1,054,303	
Standard Customer	204,721 Bills	\$11.50	2,354,292	
Non-Metered Customer	16,567 Bills	\$7.50	124,253	
Time-of-Day Customer Charge	72 Bills	\$15.10	1,087	
Total Base Revenue			\$7,416,360	(\$224)

*Revised after revenue verification.

IX. Revenue From Existing TOD Customers

	<u>Units</u>	<u>Rate</u>	<u>Proposed Revenue</u>
SGS-TOD			
On-Peak Energy	12,369	\$0.12295	1,521
Off-Peak Energy	19,148	\$0.02701	517
Customer	72	<u>\$15.10 *</u>	<u>1,087</u>
Total			\$3,125

*Use current.

X. Rate Design Reclassification Adjustment

Proposed Billing Determinant Summary	<u>Proposed</u>	Rate Design <u>Reclassification</u> (To SGS From MGS)	Adjusted <u>Proposed</u>		
Energy - First 500 kWh	39,007,247	14,553,857	53,561,104 kWh		
- Over 500 kWh	31,572,306	26,678,117	58,250,423 kWh		
Standard Customer	204,721	37,154	241,875 Bills		
Non-Metered Customer	16,567	0	16,567 Bills		
		<u>Proposed Rates</u>	<u>Adj. To Meet Target</u>	<u>Adjusted Rates</u>	
Energy Charge Adjustments to Meet Target Revenue:		\$0.08682	0.00080	\$0.08762	
		\$0.04904	0.00080	\$0.04984	

XI. Reclassification Revenue Verification

	<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Target Revenue</u>	<u>Difference</u>
Energy - First 500 kWh	53,561,104 kWh	\$0.08761 /kWh*	\$4,692,488		
- Over 500 kWh	58,250,423 kWh	\$0.04984 /kWh	\$2,903,201		
Standard Customer	241,875 Bills	\$11.50 /mo	2,781,563		
Non-Metered Customer	16,567 Bills	\$7.50 /mo	124,253		
Total Base Revenue			\$10,501,505	\$10,502,122	(\$617)

I. Proposed Revenue

	<u>Billed & Accrued Revenue</u>	<u>Fuel Revenue</u>	<u>Base Revenue</u>
<u>Secondary</u>			
Demand	\$31,635,529	\$0	\$31,635,529
Energy	10,290,814	-352,468	10,643,282
Customer	1,828,336	0	1,828,336
Total	\$43,754,679	-\$352,468	\$44,107,147
Secondary TOD	\$132,848	-\$1,172	\$134,020
Secondary LM-TOD	\$89,571	-\$952	\$90,523
Secondary AF	\$75,261	-\$583	\$75,844
<u>Secondary - Excl. TOD, LM-TOD, and AF</u>			
Demand	\$31,420,300	\$0	\$31,420,300
Energy	10,220,802	-349,761	10,570,563
Customer	1,815,897	0	1,815,897
Total	\$43,456,999	-\$349,761	\$43,806,760
<u>Primary</u>			
Demand	\$864,029	\$0	\$864,029
Energy	351,146	-12,132	363,278
Customer	86,072	0	86,072
Total	\$1,301,247	-\$12,132	\$1,313,379
<u>Subtransmission</u>			
Demand	\$156,468	\$0	\$156,468
Energy	68,748	-2,545	71,293
Customer	99,510	0	99,510
Total	\$324,726	-\$2,545	\$327,271
<u>Total MGS - Excl. TOD, LM-TOD, AF</u>			
Demand	\$32,440,797	\$0	\$32,440,797
Energy	10,640,696	-364,438	11,005,134
Customer	2,001,479	0	2,001,479
Total	\$45,082,972	-\$364,438	\$45,447,410

II. Billing Determinant Summary

	<u>Secondary</u>	<u>Primary</u>	<u>Subtransmission</u>
Standard Billing Demand	2,564,381	68,856	13,003
Mining Minimum Billing Demand	3,840	7,791	8,845
First 200 kWh per kW	409,640,852	14,136,074	2,684,041
Over 200 kWh per kW	179,004,069	6,073,390	1,357,286
Bills	134,804	1,039	240

III. Proposed Customer Charges and Revenue

<u>Proposed Customer Charge</u>	<u>Customer Revenue</u>	<u>Bills</u>	<u>Full Cost Rate</u>	<u>Current Rate</u>	<u>Proposed Rate*</u>
Secondary	\$1,815,897	134,804	\$13.47	\$10.80	\$13.50
Primary	86,072	1,039	82.84	\$16.20	\$21.00
Subtransmission	99,510	240	414.63	\$119.00	\$153.00
Total	\$2,001,479	136,083			

* Minimum of full cost or 1.5 x overall increase of 19.21%.

<u>Proposed Customer Revenue</u>	<u>Proposed Rate</u>	<u>Bills</u>	<u>Customer Revenue</u>
Secondary	\$13.50	134,804	\$1,819,854
Primary	\$21.00	1,039	21,819
Subtransmission	\$153.00	240	36,720
Total		136,083	\$1,878,393

IV. Proposed Demand Charges and Revenue

Proposed Demand Charge

Demand Revenue Requirement \$32,440,797

	<u>Units</u>	<u>Current Rate</u>	<u>Current Revenue</u>	<u>Proposed Revenue</u>	<u>Initial Proposed Rate</u>
Standard Demand	2,646,240	\$1.16	\$3,069,638	\$31,430,261	\$11.88
Mining Minimum Demand	20,476	\$4.82	98,694	<u>\$1,010,536</u>	\$49.35
			\$3,168,332	\$32,440,797	

	<u>Current Rate</u>	<u>19.21% Increase</u>	<u>Revised Proposed Rate</u>
Standard Demand	\$1.16	\$0.22	\$1.38
Mining Minimum Demand	\$4.82	\$0.93	\$5.75

	<u>Secondary Rate</u>	<u>Loss Factor</u>	<u>Proposed Rate</u>
Standard Demand			
Secondary	\$1.38	1.000	\$1.38
Primary	\$1.38	0.974	\$1.34
Subtransmission	\$1.38	0.953	\$1.32

Proposed Demand Revenue

	<u>Revised Proposed Rate</u>	<u>Units</u>	<u>Demand Revenue</u>
Secondary			
Standard Demand	\$1.38	2,564,381	\$3,538,846
Mining Minimum Demand	\$5.75	3,840	\$22,080
Primary			
Standard Demand	\$1.34	68,856	\$92,267
Mining Minimum Demand	\$5.75	7,791	\$44,798
Subtransmission			
Standard Demand	\$1.32	13,003	\$17,164
Mining Minimum Demand	\$5.75	8,845	<u>50,859</u>
			\$3,766,014

V. Proposed Energy Charges and Revenue

Total Base Revenue \$45,447,410
Less: Customer Revenue \$1,878,393
 Demand Revenue \$3,766,014

Proposed Energy Revenue \$39,803,003

Proposed Energy Charges

	<u>Units</u>	<u>Current Charges</u>	<u>Current Energy Revenue</u>	<u>Proposed Energy Revenue</u>	<u>Proposed Charges</u>
<u>Secondary</u>					
<= 200 x Demand	409,640,852	\$0.05736	\$23,496,999	\$28,149,963	\$0.06872
> 200 x Demand	179,004,069	\$0.04768	\$8,534,914	\$10,225,030	\$0.05712
<u>Primary</u>					
<= 200 x Demand	14,136,074	\$0.05179	\$732,107	\$877,082	\$0.06205
> 200 x Demand	6,073,390	\$0.04521	\$274,578	\$328,951	\$0.05416
<u>Subtransmission</u>					
<= 200 x Demand	2,684,041	\$0.04703	\$126,230	\$151,227	\$0.05634
> 200 x Demand	1,357,286	\$0.04351	<u>\$59,056</u>	<u>\$70,750</u>	\$0.05213
Total Energy Revenue			\$33,223,884	\$39,803,003	

VI. Revenue Verification

	<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Target Revenue</u>	<u>Difference</u>
<u>Secondary</u>					
Demand - Standard	2,564,381 kW	\$1.38 /kW	\$3,538,846		
- Minimum	3,840 kW	\$5.75 /kW	\$22,080		
Energy - <= 200 x Demand	409,640,852 kWh	\$0.06872 /kWh	\$28,150,519		
- > 200 x Demand	179,004,069 kWh	\$0.05712 /kWh	\$10,224,712		
Customer	134,804 bills	\$13.50 /bill	\$1,819,854		
<u>Primary</u>					
Demand - Standard	68,856 kW	\$1.34 /kW	\$92,267		
- Minimum	7,791 kW	\$5.75 /kW	\$44,798		
Energy - <= 200 x Demand	14,136,074 kWh	\$0.06205 /kWh	\$877,143		
- > 200 x Demand	6,073,390 kWh	\$0.05416 /kWh	\$328,935		
Customer	1,039 bills	\$21.00 /bill	\$21,819		
<u>Subtransmission</u>					
Demand - Standard	13,003 kW	\$1.32 /kW	\$17,164		
- Minimum	8,845 kW	\$5.75 /kW	\$50,859		
Energy - <= 200 x Demand	2,684,041 kWh	\$0.05634 /kWh	\$151,219		
- > 200 x Demand	1,357,286 kWh	\$0.05213 /kWh	\$70,755		
Customer	240 bills	\$153.00 /bill	\$36,720		
Total Standard MGS Revenue			\$45,447,690	\$45,447,410	280

VII. Off-Peak Energy Charge

Energy Revenue Requirement	\$10,643,282 /	593,304,089 kwh =	\$0.01794
Fixed Cost Adder			0.01000
Calculated Off-Peak Energy Charge			\$0.02794
Use:			\$0.02794
Off-Peak % Usage			49.58%
Off-Peak kWh			294,160,167
Off-Peak Revenue			\$8,218,835

VIII. On-Peak Energy Charge

Total MGS Secondary Base Revenue	\$44,107,147
Less: Standard Customer Revenue	1,819,854
Off-Peak Energy Revenue	8,218,835
On-Peak Revenue	\$34,068,458
On-Peak kWh Energy	299,143,922
Proposed On-Peak Energy Charge	\$0.11389 /kWh

IX. Revenue Verification

	<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Difference</u>
On-Peak	299,143,922 kWh	\$0.11388 *	\$34,066,510	
Off-Peak	294,160,167 kWh	\$0.02793 *	8,215,893	
Standard Customer	134,804 Bills	\$13.50	1,819,854	
Non-Metered Customer	0 Bills	\$0.00	0	
<hr/>				
Total Base Revenue			\$44,102,257	(\$4,890)

*Revised after revenue verification

X. Time-of-Day Customer Charges

MGS-TOD	<u>Standard Cust. Charge</u>	<u>TOD Cust. Charge</u>	<u>Charge Differential</u>
Current Charges	\$10.80	\$11.60	\$0.80
Proposed Standard Charge	\$13.50		
Current Differential	<u>\$0.80</u>		
Proposed MGS-TOD Charge	\$14.30		
Use:		\$14.30	
MGS-LM-TOD			
Separate Meter Customer Charge	Current	Proposed	
	\$3.00	\$3.00	

XI. Revenue From Existing TOD Customers

	<u>Units</u>	<u>Rate</u>	<u>Proposed Revenue</u>
MGS-TOD			
On-Peak Energy	768,184	\$0.11388	\$87,481
Off-Peak Energy	1,204,434	\$0.02793	33,640
Customer	902	\$14.30	<u>12,899</u>
Total			\$134,020
MGS-LM-TOD			
On-Peak Energy	509,032	\$0.11388	\$57,969
Off-Peak Energy	1,093,594	\$0.02793	30,544
Customer	670	\$3.00	<u>2,010</u>
Total			\$90,523

XII. Recreational Lighting

Customer Charge	Use: Proposed MGS Secondary	\$13.50	
Current Energy Charge	\$0.05754		
Overall MGS Class Proposed Increase	13.31%		
Proposed Energy Charge	\$0.06520		
<hr/>			
<u>Revenue from Recreational Lighting</u>	<u>Units</u>	<u>Rate</u>	<u>Revenue</u>
Energy	981,039 kWh	\$0.06520 /kWh	\$63,964
Customer	880 Bills	\$13.50 /mo	<u>11,880</u>
Total Base Revenue			\$75,844

XIII Rate Design Reclassification Adjustment

Proposed Billing Determinant Summary

	<u>Secondary</u>	
Demand - Standard	2,564,381	kW
- Minimum	3,840	kW
Energy - <= 200 x Demand	409,640,852	kWh
- > 200 x Demand	179,004,069	kWh
Customer	134,804	bills

Rate Design Reclassification Adjustment (From MGS to SGS)

	<u>Secondary</u>	
Demand - Standard	238,442	kW
- Minimum	0	kW
Energy - <= 200 x Demand	31,114,413	kWh
- > 200 x Demand	10,117,562	kWh
Customer	37,154	bills

Adjusted Billing Determinant Summary

	<u>Secondary</u>	
Demand - Standard	2,325,939	kW
- Minimum	3,840	kW
Energy - <= 200 x Demand	378,526,439	kWh
- > 200 x Demand	168,886,507	kWh
Customer	97,650	bills

Energy Charge Adjustment to Meet Target Revenue: 0.00080

XIV. Reclassification Revenue Verification

	<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Target Revenue</u>	<u>Difference</u>
<u>Secondary</u>					
Demand - Standard	2,325,939 kW	\$1.38 /kW	\$3,209,796		
- Minimum	3,840 kW	\$5.75 /kW	\$22,080		
Energy - <= 200 x Demand	378,526,439 kWh	\$0.06951 /kWh*	\$26,311,373		
- > 200 x Demand	168,886,507 kWh	\$0.05792 /kWh	\$9,781,906		
Customer	97,650 bills	\$13.50 /bill	\$1,318,275		
<u>Primary</u>					
Demand - Standard	68,856 kW	\$1.34 /kW	\$92,267		
- Minimum	7,791 kW	\$5.75 /kW	\$44,798		
Energy - <= 200 x Demand	14,136,074 kWh	\$0.06283 /kWh*	\$888,170		
- > 200 x Demand	6,073,390 kWh	\$0.05497 /kWh*	\$333,854		
Customer	1,039 bills	\$21.00 /bill	\$21,819		
<u>Subtransmission</u>					
Demand - Standard	13,003 kW	\$1.32 /kW	\$17,164		
- Minimum	8,845 kW	\$5.75 /kW	\$50,859		
Energy - <= 200 x Demand	2,684,041 kWh	\$0.05714 /kWh	\$153,366		
- > 200 x Demand	1,357,286 kWh	\$0.05292 /kWh*	\$71,828		
Customer	240 bills	\$153.00 /bill	\$36,720		
Total Standard MGS Revenue			\$42,354,275	\$42,358,747	(4,472)

*Revised after revenue verification.

Kentucky Power Company
 Migration Energy Charge Adjustment
 Twelve Months Ended June 30, 2005

Customers moving from MGS to SGS

	<u>Billing Units</u>	<u>Initial Proposed Rate</u>	<u>Initial Proposed Revenue</u>
Billing on MGS:			
Demand - Standard	238,442	1.38	329,050
Energy <= 200 x Demand	31,114,413	0.06871	2,137,871
Energy > 200 x Demand	10,117,562	0.05712	577,915
Bills	37,154	13.50	501,579
Total			<u>3,546,415</u>

Billing on SGS:			
First 500 kWh	14,553,857	0.08682	1,263,566
Over 500 kWh	26,678,118	0.04904	1,308,295
Bills	37,154	11.50	427,271
Total			<u>2,999,132</u>

Difference: 547,283

	<u>Billing Energy (1)</u>	<u>Energy Charge Adjustment (2)</u>	<u>Allocated Difference (3)</u>	<u>Initial Target Revenue (4)</u>	<u>Migrating Revenue (5)</u>	<u>Revised Target Revenue (6)=(3+4+5)</u>
Total SGS	111,811,528		89,531	7,413,459	2,999,132	10,502,122
Total MGS	571,663,737		457,752	45,447,410	(3,546,415)	42,358,747
Total	683,475,265	\$ 0.00080	547,283	52,860,869	(547,283)	52,860,869

	Historic Data on Year-End Tariff (1)	Year-End Customer (2)	Historic Data - Restructured Tariff (3)	Year-End Restructured Tariff (4)=(3)*(2)/(1)
MGS-Sec to SGS-Sec				
Billing Demand (kW)	236,188		236,188	238,442
Mining Minimum kW	0		0	0
Energy - First 200 kWh per kW	30,213,762		30,213,762	31,114,413
Energy - Over 200 kWh per kW	9,825,102		9,825,102	10,117,562
Energy - Mining Minimum	0		0	0
Energy - First 500 kWh	0		14,132,719	14,553,857 *
Energy - Over 500 kWh	0		25,906,145	26,678,118 *
Total Metered Energy	40,038,864		40,038,864	41,231,975
Bills	35,656		35,656	37,154
Customers	35,798		35,798	37,300
MGS-Sec to MGS-Sec				
Billing Demand (kW)	2,301,421		2,303,955	2,325,939
Mining Minimum kW	4,651		3,800	3,840
Energy - First 200 kWh per kW	367,558,685		367,569,149	378,526,439
Energy - Over 200 kWh per kW	163,999,619		164,004,650	168,886,507
Energy - Mining Minimum	114,311		98,816	102,884
Total Metered Energy	531,672,615		531,672,615	547,515,830
Bills	93,712		93,712	97,650
Customers	93,938		93,938	97,880
Total MGS-Sec				
Billing Demand (kW)	2,537,609	2,561,823	2,540,143	2,564,381
Mining Minimum kW	4,651	4,700	3,800	3,840
Energy - First 200 kWh per kW	397,772,447	409,629,899	397,782,911	409,640,852
Energy - Over 200 kWh per kW	173,824,721	178,998,888	173,829,752	179,004,069
Energy - Mining Minimum	114,311	119,017	98,816	102,884
Total Metered Energy	571,711,479	588,747,805	571,711,479	588,747,805
Bills	129,368	134,804	129,368	134,804
Customers	129,736	135,180	129,736	135,180
MGS-Pri				
Billing Demand (kW)	63,938	66,405	66,298	68,856
Mining Minimum kW	4,642	4,812	7,516	7,791
Energy - First 200 kWh per kW	11,710,155	13,855,780	11,918,947	14,136,074
Energy - Over 200 kWh per kW	5,231,009	6,468,066	4,911,817	6,073,390
Energy - Mining Minimum	94,560	97,971	204,960	212,353
Total Metered Energy	17,035,724	20,421,817	17,035,724	20,421,817
Bills	887	1,039	887	1,039
MGS-Sub				
Billing Demand (kW)	15,751	14,759	13,877	13,003
Mining Minimum kW	4,965	4,570	9,610	8,845
Energy - First 200 kWh per kW	2,945,605	3,039,121	2,600,405	2,684,041
Energy - Over 200 kWh per kW	1,069,320	1,116,681	1,299,720	1,357,286
Energy - Mining Minimum	128,450	128,086	243,250	242,561
Total Metered Energy	4,143,375	4,283,888	4,143,375	4,283,888
Bills	218	240	218	240
LGS-Sec				
Billing Demand	1,680,184	1,713,341	1,583,515	1,614,764
Billing Reactive	0	0	27,269	27,887 *
Billing Energy	535,220,944	545,794,014	550,640,729	563,128,318 **
Metered Energy	550,640,729	563,128,318	550,640,729	563,128,318
Bills	8,103	8,322	8,103	8,322
LGS-Pri				
Billing Demand	579,998	631,445	488,735	532,087
Billing Reactive	0	0	75,527	82,141 *
Billing Energy	118,297,858	128,864,399	114,728,005	124,772,297 **
Metered Energy	114,697,501	124,741,547	114,697,501	124,741,547
Compensated Energy	114,728,005	124,772,297	114,728,005	124,772,297
Bills	1,112	1,245	1,112	1,245
			30,504	30,750
LGS-Sub				
Billing Demand	431,971	457,965	392,505	416,124
Billing Reactive	0	0	33,575	35,609 *
Billing Energy	107,821,473	114,248,096	109,627,375	116,269,405 **
Metered Energy	109,627,375	116,269,405	109,627,375	116,269,405
Bills	667	719	667	719

* Used Metered kWh Ratio
 ** Used Compensated kWh Ratio

Current Picture Tariff Data

Proposed Picture Tariff Data

MGS-Sec to SGS-Sec	<u>215</u>	<u>216</u>	<u>218</u>	<u>Total</u>	<u>215</u>	<u>216</u>	<u>218</u>	<u>Total</u>
Billing Demand (kW)	234,940	0	1,248	236,188	0	0	0	0
Mining Minimum kW	0	0	0	0	0	0	0	0
Energy - First 200 kWh per kW	29,974,089	0	239,673	30,213,762	0	0	0	0
Energy - Over 200 kWh per kW	9,671,468	0	153,634	9,825,102	0	0	0	0
Energy - Mining Minimum	0	0	0	0	0	0	0	0
Energy - First 500 kWh	0	0	0	0	14,043,087	0	89,632	14,132,719
Energy - Over 500 kWh	0	0	0	0	25,602,470	0	303,675	25,906,145
Total Metered Energy	39,645,557	0	393,307	40,038,864	39,645,557	0	393,307	40,038,864
Bills	35,476	0	180	35,656	35,476	0	180	35,656
Customers	35,618	0	180	35,798	35,618	0	180	35,798

MGS-Sec to MGS-Sec	<u>215</u>	<u>216</u>	<u>218</u>	<u>Total</u>	<u>215</u>	<u>216</u>	<u>218</u>	<u>Total</u>
Billing Demand (kW)	2,271,451	28,810	1,160	2,301,421	2,275,106	27,689	1,160	2,303,955
Mining Minimum kW	0	4,651	0	4,651	0	3,800	0	3,800
Energy - First 200 kWh per kW	362,316,675	5,010,169	231,841	367,558,685	362,405,328	4,931,900	231,921	367,569,149
Energy - Over 200 kWh per kW	160,484,910	3,393,109	121,600	163,999,619	160,396,257	3,486,873	121,520	164,004,650
Energy - Mining Minimum	0	114,311	0	114,311	0	98,816	0	98,816
Total Metered Energy	522,801,585	8,517,589	353,441	531,672,615	522,801,585	8,517,589	353,441	531,672,615
Bills	92,679	997	36	93,712	92,679	997	36	93,712
Customers	92,902	1,000	36	93,938	92,902	1,000	36	93,938

MGS-Pri	<u>217</u>	<u>220</u>	<u>Total</u>	<u>217</u>	<u>220</u>	<u>Total</u>
Billing Demand (kW)	14,503	49,435	63,938	14,634	51,664	66,298
Mining Minimum kW	0	4,642	4,642	0	7,516	7,516
Energy - First 200 kWh per kW	2,326,545	9,383,610	11,710,155	2,328,565	9,590,382	11,918,947
Energy - Over 200 kWh per kW	1,711,859	3,519,150	5,231,009	1,709,839	3,201,978	4,911,817
Energy - Mining Minimum	0	94,560	94,560	0	204,960	204,960
Total Metered Energy	4,038,404	12,997,320	17,035,724	4,038,404	12,997,320	17,035,724
Bills	382	505	887	382	505	887

MGS-Sub-236	<u>Total</u>	<u>Total</u>
Billing Demand (kW)	15,751	13,877
Mining Minimum kW	4,965	9,610
Energy - First 200 kWh per kW	2,945,605	2,600,405
Energy - Over 200 kWh per kW	1,069,320	1,299,720
Energy - Mining Minimum	128,450	243,250
Total Metered Energy	4,143,375	4,143,375
Bills	218	218

LGS-Sec	<u>240</u>	<u>242</u>	<u>Total</u>	<u>240</u>	<u>242</u>	<u>Total</u>
Billing Demand	1,661,584	18,600	1,680,184	1,565,062	18,453	1,583,515
Billing Reactive	0	0	0	27,269	0	27,269
Billing Energy	527,768,026	7,452,918	535,220,944	542,847,369	7,793,360	550,640,729
Metered Energy	542,847,369	7,793,360	550,640,729	542,847,369	7,793,360	550,640,729
Bills	8,019	84	8,103	8,019	84	8,103

LGS-Pri	<u>244</u>	<u>246</u>	<u>Total</u>	<u>244</u>	<u>246</u>	<u>Total</u>
Billing Demand	578,552	1,446	579,998	487,402	1,333	488,735
Billing Reactive	0	0	0	75,518	9	75,527
Billing Energy	117,724,348	573,510	118,297,858	114,139,945	588,060	114,728,005
Metered Energy	114,109,441	588,060	114,697,501	114,109,441	588,060	114,697,501
Bills	1,100	12	1,112	1,100	12	1,112

LGS-Sub-248	<u>Total</u>	<u>Total</u>
Billing Demand	431,971	392,505
Billing Reactive	0	33,575
Billing Energy	107,821,473	109,627,375
Metered Energy	109,627,375	109,627,375
Bills	667	667

I. Proposed Revenue	Billed and Accrued Revenue	Fuel Revenue	Base Revenue
Secondary			
Demand	\$25,698,882	\$0	\$25,698,882
Energy	9,667,005	(336,311)	10,003,316
Customer	210,194	0	210,194
Total	\$35,576,081	(\$336,311)	\$35,912,392
Secondary LM-TOD	\$173,344	(\$1,770)	\$175,114
Secondary Excl. LM-TOD			
Demand	\$25,573,664	\$0	\$25,573,664
Energy	9,619,903	(334,541)	9,954,444
Customer	209,170	0	209,170
Total	\$35,402,737	(\$334,541)	\$35,737,278
Primary			
Demand	\$4,843,400	\$0	\$4,843,400
Energy	2,078,148	(74,106)	2,152,254
Customer	92,213	0	92,213
Total	\$7,013,761	(\$74,106)	\$7,087,867
Subtransmission			
Demand	\$3,523,513	\$0	\$3,523,513
Energy	1,901,774	(69,073)	1,970,847
Customer	340,053	0	340,053
Total	\$5,765,340	(\$69,073)	\$5,834,413
Transmission			
Demand	\$0	\$0	\$0
Energy	0	0	0
Customer	0	0	0
Total	\$0	\$0	\$0
Total LGS			
Demand	\$33,940,577	\$0	\$33,940,577
Energy	13,599,825	(477,720)	14,077,545
Customer	641,436	0	641,436
Total	\$48,181,838	(\$477,720)	\$48,659,558

II. Billing Determinant Summary	Secondary	Primary	Subtransmission	Transmission
Billing Demand	1,614,764	532,087	416,124	0
Billing Reactive	27,887	82,141	35,609	0
Billing kWh	563,128,318	124,772,297	116,269,405	0
Bills	8,322	1,245	719	0

III. Proposed Customer Charges & Revenue

Proposed Customer Charge	Customer Revenue	Bills	Full Cost Rate	Use: Current Rate
Secondary	\$210,194	8,322	\$25.26	\$85.00
Primary	92,213	1,245	\$74.07	\$127.50
Subtransmission	340,053	719	\$472.95	\$535.50
Transmission	0	0	---	\$535.50
Total	\$642,460	10,286		

Proposed Customer Revenue	Proposed Rate	Bills	Customer Revenue
Secondary	\$85.00	8,322	\$707,370
Primary	\$127.50	1,245	158,738
Subtransmission	\$535.50	719	385,025
Transmission	\$535.50	0	0
Total		10,286	\$1,251,133

IV. Proposed Excess KVA Charges & Revenue

Proposed KVA Revenue	Rate	Excess KVA	Revenue
Secondary	\$2.97	27,887	\$82,824
Primary	\$2.97	82,141	243,959
Subtransmission	\$2.97	35,609	105,759
Transmission	\$2.97	0	0
Total		145,637	\$432,542

V. Proposed Demand Charges and Revenue

Current Secondary Charge: \$2.97 x Overall Increase of 19.21% = \$3.54

Demand Charges	Secondary Rate	Loss Factor	Proposed Demand Rate
Secondary	\$3.54	1.000	\$3.54
Primary	\$3.54	0.974	\$3.45
Subtransmission	\$3.54	0.953	\$3.37
Transmission	\$3.54	0.939	\$3.32

Proposed Demand Revenue	Billing Demand	Proposed Rate	Demand Revenue
Secondary	1,614,764	\$3.54	\$5,716,265
Primary	532,087	\$3.45	1,835,700
Subtransmission	416,124	\$3.37	1,402,338
Transmission	0	\$3.32	0
Total	2,562,975		\$8,954,303

VI. Proposed Energy Charges and Revenue

Loss Adjusted Energy	Billing Energy	Loss Factor	Loss Adj Energy
Secondary	563,128,318	1.000	563,128,318
Primary	124,772,297	0.975	121,652,990
Subtransmission	116,269,405	0.960	111,618,629
Transmission	0	0.948	0
Total	804,170,020		796,399,937

Equipment Credit Revenue	Billing Energy	Equipment Credit	Credit Revenue
Secondary	563,128,318	--	0
Primary	124,772,297	(0.00604)	(753,625)
Subtransmission	116,269,405	(0.01632)	(1,897,517)
Transmission	0	(0.01980)	0
Total	804,170,020		(\$2,651,142)

Total Revenue	\$48,659,558
Less: Customer Revenue	1,251,133
Excess KVAR Revenue	432,542
Demand Revenue	8,954,303
Equipment Credit Revenue	(2,651,142)
Energy Revenue	\$40,672,722
Loss Adjusted Billing Energy	796,399,937
Secondary Energy Charge	\$0.05107

	Secondary Rate	Loss Factor	Energy Rate	Equipment Credit	Proposed Rate
Secondary	\$0.05107	1.000	\$0.05107	0.00000	\$0.05107
Primary	0.05107	0.975	\$0.04979	(0.00604)	\$0.04375
Subtransmission	0.05107	0.960	\$0.04903	(0.01632)	\$0.03271
Transmission	0.05107	0.948	\$0.04841	(0.01980)	\$0.02861

VII. Revenue Verification		Units	Rate	Revenue
Secondary	Demand	1,614,764 kW	\$3.54 /kW	\$5,716,265
	Excess KVA	27,887 KVA	2.97 /KVA	82,824
	Energy	563,128,318 kWh	0.05107 /kWh	28,758,963
	Customer	8,322 Bills	85.00 /Mo	707,370
	Total Billed			\$35,265,422
Primary	Demand	532,087 kW	\$3.45 /kW	\$1,835,700
	Excess KVA	82,141 KVA	2.97 /KVA	243,959
	Energy	124,772,297 kWh	0.04374 /kWh *	5,457,540
	Customer	1,245 Bills	127.50 /Mo	158,738
	Total Billed			\$7,695,937
Subtran	Demand	416,124 kW	\$3.37 /kW	\$1,402,338
	Excess KVA	35,609 KVA	2.97 /KVA	105,759
	Energy	116,269,405 kWh	0.03274 /kWh *	3,806,660
	Customer	719 Bills	535.50 /Mo	385,025
	Total Billed			\$5,699,782
Tran	Demand	0 kW	\$3.32 /kW	\$0
	Excess KVA	0 KVA	2.97 /KVA	0
	Energy	0 kWh	0.02861 /kWh	0
	Customer	0 Bills	535.50 /Mo	0
	Total Billed			\$0
Total Tariff LGS				\$48,661,141
Target				\$48,659,558
Difference				\$1,583

*Revised after revenue verification

VIII. Off-Peak Energy Charge For LM-TOD

Secondary Energy Revenue Req	\$10,003,316 /	566,107,473 kwh =	\$0.01767
Fixed Cost Adder			0.01000
Calculated Off-Peak Energy Charge			\$0.02767
Use:			\$0.02767
Off-Peak % Usage			49.69%
Off-Peak kWh			281,298,803
Off-Peak Revenue			\$7,783,538

IX. On-Peak Energy Charge

Total LGS Secondary Base Revenue	\$35,912,392
Less: Customer Revenue	707,370
Time-of-Day Customer Revenue	7,853
Off-Peak Energy Revenue	<u>7,783,538</u>
On-Peak Revenue	\$27,413,631
On-Peak kWh Energy	<u>284,808,670</u>
Proposed On-Peak Energy Charge	\$0.09625 /kWh

X. Revenue Verification

	<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Difference</u>
On-Peak	284,808,670 kWh	\$0.09625	\$27,412,834	
Off-Peak	281,298,803 kWh	\$0.02767	7,783,538	
Customer	8,322 Bills	\$85.00	707,370	
Total Base Revenue			\$35,903,742	(\$8,650)

*Revised after revenue verification

XI. Revenue From Existing TOD Customers

	<u>Units</u>	<u>Rate</u>	<u>Proposed Revenue</u>
LGS-LM-TOD			
On-Peak Energy	1,236,929	\$0.09625	\$119,054
Off-Peak Energy	1,742,226	\$0.02767	48,207
Customer	96	\$81.80 *	<u>7,853</u>
Total			\$175,114

*Use Current

I. Proposed Revenue	Billed and Accrued Revenue	Fuel Revenue	Base Revenue
Demand	\$27,996,890	\$0	\$27,996,890
Energy	15,864,860	(570,449)	16,435,309
Customer	369,253	0	369,253
Total	\$44,231,003	(\$570,449)	\$44,801,452

II. Billing Determinant Summary	Secondary	Primary	Subtransmission	Transmission
On-Peak Billing Demand	0	517,778	1,757,249	72,166
Off-Peak Excess Billing Demand	0	2,854	9,791	2,324
Billing Reactive	0	43,209	427,412	7,369
Billing kWh	0	225,424,236	708,227,374	26,576,043
Bills	0	346	639	24

III. Proposed Customer Charges & Revenue	Customer Revenue	Bills	Full Cost Rate	Use: Current Rate
Proposed Customer Charge				
Secondary	0	0	--	\$276
Primary	37,870	346	\$109.45	\$276
Subtransmission	311,125	639	\$486.89	\$662
Transmission	20,258	24	\$844.08	\$1,353
Total	\$369,253	1,009		
Proposed Customer Revenue		Proposed Rate	Bills	Customer Revenue
Secondary		\$276.00	0	0
Primary		\$276.00	346	95,496
Subtransmission		\$662.00	639	423,018
Transmission		\$1,353.00	24	32,472
Total			1,009	\$550,986

IV. Proposed Excess KVAR Charges & Revenue	Use: CIP-TOD Proposed Rate	Excess KVAR	Revenue
Proposed KVAR Revenue			
Secondary	\$0.72	0	0
Primary	\$0.72	43,209	31,110
Subtransmission	\$0.72	427,412	307,737
Transmission	\$0.72	7,369	5,306
Total		477,990	\$344,153

V. Proposed Off-Peak Excess Demand Charges and Revenue	Off-peak Excess Demand	Proposed Rate	Revenue
Secondary	0	\$5.00	0
Primary	2,854	\$3.46	9,875
Subtransmission	9,791	\$0.93	9,106
Transmission	2,324	\$0.80	1,859
Total	14,969		\$20,840

VI. Proposed Energy Charges and Revenue

	Billing Energy	Loss Factor	Loss Adj Energy
Secondary	0	1.000	0
Primary	225,424,236	0.975	219,788,630
Subtransmission	708,227,374	0.960	679,898,279
Transmission	26,576,043	0.948	25,194,089
Total	960,227,653		924,880,998

Energy Revenue	16,435,309
Shortfall due to < Full Cost Demand	3,563,300

Energy Revenue	\$19,998,609
Loss Adjusted Billing Energy	924,880,998

Secondary Energy Charge	\$0.02162
-------------------------	-----------

	Secondary Rate	Loss Factor	Proposed Rate
Secondary	0.02162	1.000	0.02162
Primary	0.02162	0.975	0.02108
Subtransmission	0.02162	0.960	0.02076
Transmission	0.02162	0.948	0.02050

Proposed Energy Revenue

	Billing Energy	Proposed Rate	Revenue
Secondary	0	\$0.02162	0
Primary	225,424,236	\$0.02108	4,751,943
Subtransmission	708,227,374	\$0.02076	14,702,800
Transmission	26,576,043	\$0.02050	544,809
Total	960,227,653		\$19,999,552

VII. Proposed On-Peak Demand Charges and Revenue

Calculation of Loss Adj Demand	Billing Demand	Loss Factor	Loss Adj Demand
Secondary	0	1.000	0
Primary	517,778	0.974	504,316
Subtransmission	1,757,249	0.953	1,674,658
Transmission	72,166	0.939	67,764
Total	2,347,193		2,246,738

Equipment Credit Revenue	Billing Demand	Equipment Credit	Credit Revenue
Secondary	0	0.00	\$0
Special - Primary	6,735	(0.51)	-\$3,435
Primary	517,778	(1.46)	-\$755,956
Subtransmission	1,757,249	(4.01)	-\$7,046,568
Transmission	72,166	(5.27)	-\$380,315
Total	2,347,193		(\$8,182,839)

VII. Proposed On-Peak Demand Charges and Revenue (continued)

Total Required Base Revenue	\$44,801,452
Less: Customer Revenue	\$550,986
Excess KVAR Revenue	344,153
Off-peak Excess Revenue	20,840
Energy Revenue	16,435,309
Equipment Credit Revenue	<u>(8,182,839)</u>
Demand Revenue	\$35,633,003
Loss Adjusted Billing Demand	<u>2,246,738</u>
Full Cost Demand Charge	\$15.86
% of Full Cost	<u>90%</u> \$14.27

Demand Charges	Secondary Rate	Loss Factor	Demand Rate	Equipment Credit	Proposed Rate
Secondary	\$14.27	1.000	\$14.27	0.00	\$14.27
Primary	\$14.27	0.974	\$13.90	(1.46)	\$12.44
Subtransmission	\$14.27	0.953	\$13.60	(4.01)	\$9.59
Transmission	\$14.27	0.939	\$13.40	(5.27)	\$8.13

Proposed On-Peak Demand Revenue

	On-Peak Demand	Proposed Rate	Revenue
Secondary	0	\$14.27	0
Primary	517,778	\$12.44	6,441,158
Subtransmission	1,757,249	\$9.59	16,852,018
Transmission	<u>72,166</u>	<u>\$8.13</u>	<u>586,710</u>
Total	2,347,193		\$23,879,886

VIII. Revenue Verification		<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Target</u>	<u>Difference</u>
Secondary	On-Peak Demand	0 kW	\$14.27 /kW	\$0		
	Off-peak Excess	0 kW	5.00 /kW	0		
	Excess KVAR	0 KVAR	0.72 /KVAR	0		
	Energy	0 kWh	0.02162 /kWh	0		
	Customer	0 Bills	276.00 /Mo	0		
	Total Billed			\$0		
Primary	On-Peak Demand	517,778 kW	\$12.44 /kW	\$6,441,158		
	Off-peak Excess	2,854 kW	3.46 /kW	9,875		
	Excess KVAR	43,209 KVAR	0.72 /KVAR	31,110		
	Equip. Credit	6,735 kW	-0.51 /kW	-3,435		
	Energy	225,424,236 kWh	0.02107 /kWh *	4,749,689		
	Customer	346 Bills	276.00 /Mo	95,496		
Total Billed			\$11,323,893			
Subtran	On-Peak Demand	1,757,249 kW	\$9.60 /kW *	\$16,869,590		
	Off-peak Excess	9,791 kW	0.93 /kW	9,106		
	Excess KVAR	427,412 KVAR	0.72 /KVAR	307,737		
	Energy	708,227,374 kWh	0.02076 /kWh	14,702,800		
	Customer	639 Bills	662.00 /Mo	423,018		
Total Billed			\$32,312,251			
Tran	On-Peak Demand	72,166 kW	\$8.13 /kW	\$586,710		
	Off-peak Excess	2,324 kW	0.80 /kW	1,859		
	Excess KVAR	7,369 KVAR	0.72 /KVAR	5,306		
	Energy	26,576,043 kWh	0.02050 /kWh	544,809		
	Customer	24 Bills	1,353.00 /Mo	32,472		
Total Billed			\$1,171,156			
Total Tariff QP				\$44,807,300	\$44,801,452	\$5,848

* Revised after revenue verification

I. Proposed Revenue	Billed and Accrued Revenue	Fuel Revenue	Base Revenue
Demand	\$47,870,736	\$0	\$47,870,736
Energy	35,725,679	-1,295,917	37,021,596
Customer	92,824	0	92,824
Total	\$83,689,239	(\$1,295,917)	\$84,985,156

II. Billing Determinant Summary	Primary	Subtransmission	Transmission
On-Peak Billing Demand	0	3,187,134	494,853
Off-Peak Billing Demand	0	3,177,830	545,714
Minimum Billing Demand	0	77,268	65,467
Billing Reactive	0	153,824	40,411
Billing kWh	0	1,935,314,378	246,085,254
Bills	0	132	36

III. Proposed Customer Charges & Revenue	Customer Revenue	Bills	Full Cost Rate	Use: Current Rate
Proposed Customer Charge				
Primary	0	0	—	\$276
Subtransmission	67,107	132	\$508.39	\$662
Transmission	25,717	36	\$714.36	\$1,353
Total	\$92,824	168		

Proposed Customer Revenue	Proposed Rate	Bills	Customer Revenue
Primary	\$276	0	0
Subtransmission	\$662	132	87,384
Transmission	\$1,353	36	48,708
Total		168	\$136,092

IV. Proposed Excess KVAR Charges & Revenue	Current Rate	19.21% Increase	Proposed Rate	Excess KVAR	Revenue
Proposed KVAR Revenue					
Primary	\$0.60	0.12	\$0.72	0	0
Subtransmission	\$0.60	0.12	\$0.72	153,824	110,753
Transmission	\$0.60	0.12	\$0.72	40,411	29,096
Total				194,235	\$139,849

V. Proposed Off-Peak Demand Charges and Revenue	Off-peak Demand	Proposed Rate	Revenue
Primary	0	\$3.84	0
Subtransmission	3,177,830	\$1.03	3,273,165
Transmission	545,714	\$0.89	485,685
Total	3,723,544		\$3,758,850

VI. Proposed Minimum Demand Charges and Revenue

Calculation of Loss Adj Demand	Maximum Demand	Loss Factor	Loss Adj Demand
Primary	0	1.000	0
Subtransmission	3,213,228	0.978	3,142,537
Transmission	576,723	0.964	555,961
Total	3,789,951		3,698,498

Equipment Credit Revenue	Maximum Demand	Equipment Credit	Credit Revenue
Primary	0	0.00	\$0
Subtransmission	3,187,134	(2.77)	(8,828,361)
Transmission	494,853	(4.13)	(2,043,743)
Total	3,681,987		(\$10,872,104)

Total Demand Revenue	\$47,870,736
Less: Excess KVAR Revenue	139,849
Equipment Credit Revenue	(10,872,104)

Demand Revenue	\$58,602,991
Loss Adjusted Demand	3,698,498

Full Cost Demand Charge	\$15.85
% of Full Cost	100%

Demand Charges	Primary Rate	Loss Factor	Demand Rate	Equipment Credit	Proposed Rate
Primary	\$15.85	1.000	\$15.85	0.00	\$15.85
Subtransmission	\$15.85	0.978	\$15.50	(2.77)	\$12.73
Transmission	\$15.85	0.964	\$15.28	(4.13)	\$11.15

Proposed Minimum Demand Revenue

	Minimum Demand	Proposed Rate	Revenue
Primary	0	\$15.85	0
Subtransmission	77,268	\$12.73	983,622
Transmission	65,467	\$11.15	729,957
Total	142,735		\$1,713,579

VII. Proposed On-Peak Demand Charges and Revenue

Calculation of Loss Adj Demand	Billing Demand	Loss Factor	Loss Adj Demand
Primary	0	1.000	0
Subtransmission	3,187,134	0.978	3,117,017
Transmission	494,853	0.964	477,038
Total	3,681,987		3,594,055

Equipment Credit Revenue	Billing Demand	Equipment Credit	Credit Revenue
Primary	0	0.00	\$0
Subtransmission	3,187,134	(2.77)	(8,828,361)
Transmission	494,853	(4.13)	(2,043,743)
Total	3,681,987		(\$10,872,104)

VII. Proposed On-Peak Demand Charges and Revenue (continued)

Total Demand Revenue	\$47,870,736
Less: Excess KVAR Revenue	139,849
Off-peak Demand Revenue	3,758,850
Minimum Demand Revenue	1,713,579
Equipment Credit Revenue	<u>(10,872,104)</u>
Demand Revenue	\$53,130,562
Loss Adjusted Billing Demand	<u>3,594,055</u>
Full Cost Demand Charge	\$14.78
% of Full Cost	100% \$14.78

Demand Charges	Primary Rate	Loss Factor	Demand Rate	Equipment Credit	Proposed Rate
Primary	\$14.78	1.000	\$14.78	0.00	\$14.78
Subtransmission	\$14.78	0.978	\$14.45	(2.77)	\$11.68
Transmission	\$14.78	0.964	\$14.25	(4.13)	\$10.12

Proposed On-Peak Demand Revenue

	On-Peak Demand	Proposed Rate	Revenue
Primary	0	\$14.78	0
Subtransmission	3,187,134	\$11.68	37,225,725
Transmission	<u>494,853</u>	\$10.12	<u>5,007,912</u>
Total	3,681,987		\$42,233,637

VIII. Proposed Energy Charges and Revenue

Loss Adjusted Energy	Billing Energy	Loss Factor	Loss Adj Energy
Primary	0	1.000	0
Subtransmission	1,935,314,378	0.985	1,906,284,662
Transmission	<u>246,085,254</u>	0.973	<u>239,440,952</u>
Total	2,181,399,632		2,145,725,614

Total Required Base Revenue	\$84,985,156
Less: Customer Revenue	\$136,092
Excess KVAR Revenue	\$139,849
Off-peak Demand Revenue	\$3,758,850
Minimum Demand Revenue	\$1,713,579
On-peak Demand Revenue	<u>\$42,233,637</u>

Energy Revenue	\$37,003,149
Loss Adjusted Billing Energy	<u>2,145,725,614</u>

Primary Energy Charge \$0.01725

	Primary Rate	Loss Factor	Proposed Rate
Primary	0.01725	1.000	0.01725
Subtransmission	0.01725	0.985	0.01699
Transmission	0.01725	0.973	0.01678

VIII. Revenue Verification		<u>Units</u>	<u>Rate</u>	<u>Revenue</u>	<u>Target</u>	<u>Difference</u>
Primary	On-Peak Demand	0 kW	\$14.78 /kW	\$0		
	Off-peak Demand	0 kW	3.84 /kW	0		
	Minimum Demand	0 kW	15.85 /kW	0		
	Excess KVAR	0 KVAR	0.72 /KVAR	0		
	Energy	0 kWh	0.01725 /kWh	0		
	Customer	0 Bills	276.00 /Mo	0		
Total Billed				\$0		
Subtran	On-Peak Demand	3,187,134 kW	\$11.68 /kW	\$37,225,725		
	Off-peak Demand	3,177,830 kW	1.03 /kW	3,273,165		
	Minimum Demand	77,268 kW	12.73 /kW	983,622		
	Excess KVAR	153,824 KVAR	0.72 /KVAR	110,753		
	Energy	1,935,314,378 kWh	0.01699 /kWh	32,880,991		
	Customer	132 Bills	662.00 /Mo	87,384		
Total Billed				\$74,561,640		
Tran	On-Peak Demand	494,853 kW	\$10.11 /kW *	\$5,002,964		
	Off-peak Demand	545,714 kW	0.89 /kW	485,685		
	Minimum Demand	65,467 kW	11.15 /kW	729,957		
	Excess KVAR	40,411 KVAR	0.72 /KVAR	29,096		
	Energy	246,085,254 kWh	0.01677 /kWh *	4,126,850		
	Customer	36 Bills	1,353.00 /Mo	48,708		
Total Billed				\$10,423,260		
Total Tariff CIP				\$84,984,900	\$84,985,156	(\$256)

* Revised after revenue verification

KENTUCKY POWER COMPANY
Equipment Credits Relative to Secondary
Twelve Months Ended June 30, 2005

Current Billing Demand Summary

	Secondary	Primary	Subtran	Bulk Tran	Production
MGS	2,586,385	71,217	19,329		
LGS	1,722,405	631,445	457,965		
QP	0	517,778	1,757,249	72,166	
CIP	0	0	3,264,402	560,320	
Total	4,308,790	1,220,440	5,498,945	632,486	
Relative Loss Factor	1.000	0.974	0.953	0.939	
Loss Adj Demand	4,308,790	1,188,709	5,240,495	593,904	
	78%	78%			
Demand Served by Subtran :	3,360,856	927,193	5,240,495		
Functional Demand Rev	6,997,112	15,636,399	13,380,643	19,846,908	86,728,385
Functional Demand	4,308,790	5,497,499	9,528,544	11,331,898	11,331,898
Functional Cost	1.62	2.84	1.40	1.75	7.65

Full Cost Equipment Credits (Relative to Secondary)

	Secondary	Primary	Subtran	Total
Primary	1.62			1.62
Subtransmission	1.62	2.84		4.46
Transmission	1.62	2.84	1.40	5.86

Full Cost Equipment Credits (Relative to Primary)

	Primary	Subtran	Total
Loss Factor Secondary to Primary	0.974	0.974	
Subtransmission	2.77		2.77
Transmission	2.77	1.36	4.13

TOD and AF Demands

	Standard		Other	
	Metered kWh	Billing Demand	Metered kWh	Billing Demand
MGS-Sec	588,747,805	2,566,523		
MGS-TOD			1,972,619	8,599
MGS-LM-TOD			1,602,626	6,986
MGS-AF			981,039	4,277
LGS-Sec	563,128,318	1,713,341		
LGS-LM-TOD			2,979,155	9,064

Current Metered Energy Summary

	Secondary	Primary	Subtran	Bulk Tran	Production
MGS	593,304,089	20,421,817	4,283,888		
LGS	566,107,473	124,741,547	116,269,405		
QP	0	225,424,236	708,227,374	26,576,043	
CIP	0	0	1,935,314,378	246,085,254	
Total	1,159,411,562	370,587,600	2,764,095,045	272,661,297	
Relative Loss Factor	1.000	0.975	0.960	0.948	
Loss Adj Energy	1,159,411,562	361,322,910	2,653,531,243	258,482,910	
	78%	78%			
Energy Served by Subtran	904,341,018	281,831,870	2,653,531,243		
Functional Demand Rev	6,997,112	15,636,399	13,380,643	19,846,908	86,728,385
Functional Energy	1,159,411,562	1,520,734,472	3,839,704,131	4,432,748,625	4,432,748,625
Functional Cost	0.00604	0.01028	0.00348	0.00448	0.01957

Full Cost Equipment Credits

	Secondary	Primary	Subtran	Total
Primary	0.00604			0.00604
Subtransmission	0.00604	0.01028		0.01632
Transmission	0.00604	0.01028	0.00348	0.01980

TOD and AF Energy

	Metered kWh
MGS-Sec	588,747,805
MGS-TOD	1,972,619
MGS-LM-TOD	1,602,626
MGS-AF	981,039
Total MGS-Sec	593,304,089
LGS-Sec	563,128,318
LGS-LM-TOD	2,979,155
Total LGS-Sec	566,107,473

KENTUCKY POWER COMPANY
Full Cost Off-Peak Excess Demand Charges
Twelve Months Ended June 30, 2005

	Demand Loss Factors	Distribution		Subtran	Bulk Tran	Production	Full Cost Charges
		Secondary	Primary				
Functional Demand Cost		1.62	2.84	1.40	1.75	7.65	
Off-Peak Recovery %		100%	100%	10%	10%	10%	
Off Peak Demand Cost		1.62	2.84	0.14	0.18	0.77	
Secondary Charge	1.000	1.62	2.84	0.14	0.18	0.77	\$5.55
Primary Charge	0.974		2.77	0.14	0.18	0.75	\$3.84
Subtran Charge	0.953			0.13	0.17	0.73	\$1.03
Transmission Charge	0.939				0.17	0.72	\$0.89

KENTUCKY POWER COMPANY
 TWELVE MONTHS ENDED JUNE 30, 2005
 COMPOSITE LOSS FACTOR SUMMARY

VOLTAGE ----- (1)	----- METERED ----- DEMAND ENERGY ----- (2) (3)		----- AT GENERATION ----- DEMAND ENERGY ----- (4) (5)		[- LOSS FACTOR -] [- TO GENERATION -] DEMAND ENERGY ----- (6) (7)	
	SECONDARY	657,814	3,627,512,222	721,962	3,934,430,243	1.09752
PRIMARY	54,006	384,284,803	57,737	406,314,030	1.06908	1.05733
SUBTRANSMISSION	345,721	2,742,575,071	361,641	2,857,102,898	1.04605	1.04176
TRANSMISSION	30,780	281,519,990	31,720	289,576,589	1.03056	1.02862

VOLTAGE ----- (1)	----- COMPOSITE LOSS FACTORS ----- [- TO SECONDARY -] [- TO PRIMARY -] [- TO SUBTRAN -] [- TO TRAN -] DEMAND ENERGY DEMAND ENERGY DEMAND ENERGY DEMAND ENERGY ----- (2) (3) (4) (5) (6) (7) (8) (9)							
	SECONDARY	1.00000	1.00000	1.02660	1.02580	1.04920	1.04113	1.06497
PRIMARY	0.97409	0.97485	1.00000	1.00000	1.02202	1.01495	1.03738	1.02791
SUBTRANSMISSION	0.95310	0.96049	0.97846	0.98527	1.00000	1.00000	1.01503	1.01277
TRANSMISSION	0.93899	0.94838	0.96397	0.97285	0.98519	0.98739	1.00000	1.00000

KENTUCKY POWER COMPANY
 TWELVE MONTHS ENDED JUNE 30, 2005
 GENERATION ENERGY SUMMARY

CLASS	METERED			LOSS FACTORS			LOSS ADJUSTED		
	PEAK	OFFPEAK	TOTAL	PEAK	OFFPEAK	TOTAL	PEAK	OFFPEAK	TOTAL
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RS - SECONDARY	1,041,118,307	1,304,299,115	2,345,417,422	1.08605	1.08422	1.08503	1,130,702,633	1,414,147,033	2,544,849,666
SGS - SECONDARY	31,009,689	38,332,458	69,342,147	1.08520	1.08360	1.08431	33,651,561	41,537,098	75,188,659
MGS - SECONDARY	298,759,379	293,748,582	592,507,961	1.08456	1.08326	1.08392	324,023,524	318,205,805	642,229,329
MGS - PRIMARY	9,840,055	9,701,509	19,541,564	1.05942	1.05661	1.05802	10,424,762	10,250,695	20,675,457
MGS - SUBTRAN	2,406,227	2,306,041	4,712,268	1.04209	1.04107	1.04159	2,507,504	2,400,760	4,908,264
LGS - SECONDARY	283,793,390	280,285,529	564,078,919	1.08426	1.08315	1.08371	307,706,362	303,592,218	611,298,580
LGS - PRIMARY	62,174,434	61,598,073	123,772,507	1.05892	1.05616	1.05754	65,837,474	65,057,258	130,894,732
LGS - SUBTRAN	58,620,945	57,971,433	116,592,378	1.04243	1.04144	1.04194	61,108,462	60,373,992	121,482,454
QP - PRI-CONSOL	747,144	538,835	1,285,979	1.05913	1.05589	1.05777	791,323	568,948	1,360,271
QP - PRIMARY	112,181,182	127,503,571	239,684,753	1.05877	1.05573	1.05715	118,774,276	134,609,294	253,383,570
QP - SUBTRAN	350,679,770	335,276,276	685,956,046	1.04233	1.04133	1.04184	365,524,431	349,134,007	714,658,438
QP - TRAN	15,727,253	19,707,495	35,434,748	1.02876	1.02856	1.02865	16,179,623	20,270,289	36,449,912
CIP - SUBTRAN	830,014,555	1,105,299,824	1,935,314,379	1.04233	1.04126	1.04172	865,148,786	1,150,904,956	2,016,053,742
CIP - TRAN	96,848,810	149,236,432	246,085,242	1.02875	1.02853	1.02861	99,633,086	153,493,591	253,126,677
MW - SECONDARY	3,113,995	4,134,588	7,248,583	1.08421	1.08296	1.08350	3,376,226	4,477,588	7,853,814
OL - SECONDARY	5,010,485	35,693,545	40,704,030	1.08523	1.08341	1.08363	5,437,538	38,670,764	44,108,302
SL - SECONDARY	1,022,950	7,190,210	8,213,160	1.08562	1.08361	1.08386	1,110,534	7,791,359	8,901,893
TOTAL	3,203,068,570	3,832,823,516	7,035,892,086	1.06521	1.06331	1.06418	3,411,938,105	4,075,485,655	7,487,423,760

I. Revenue	Billed & Accrued Revenue	Fuel	Base Revenue		
Demand	292,321	0	292,321		
Energy	125,591	(4,323)	129,914		
Customer	2,898	0	2,898		
Total	420,810	(4,323)	425,133		
II. Customer Charge					
Full Cost Customer Charge	\$ 2,898	/	252 bills	\$ 11.50 /mo.	
				Use current: \$ 22.90 /mo.	
Customer Revenue	252 Bills	X	\$22.90 /mo.	\$ 5,771	
III. Demand Charge					
Demand Revenue Requirement	\$ 292,321				
Monthly Demand (SNCP)	17,968				
Full Cost Demand Charge	16.27				
Current Minimum Demand Charges Use:	3.05 3.65	X	1.1921%	3.65	
Minimum kW	2,946				
Minimum Demand Charge Revenue	\$ 10,753				
IV. Energy Charge					
Energy Revenue Requirement					
Total MW Revenue Requirement	\$ 425,133				
Less: Customer Revenue	5,771				
Less: Minimum Demand Revenue	10,753				
Energy Charge Revenue	\$ 408,609				
Billing kWh	7,196,781				
Proposed Energy Charge	0.05678				
V. Revenue Verification	Units	Proposed Charges	Revenue	Target Revenue	Difference
Energy	7,196,781	\$0.05677 *	408,561		
Demand	2,946	\$ 3.65	10,753		
Customer	252	\$22.90	5,771		
Total MW Verified Revenues			425,085	425,133	(48)

*Revised after revenue verification

Lamp Type & Size (1)	Annual Number of Lamps (2)	Present		Cost Based Rate (5)	Proposed		Annual Increase (8)	Percent Increase (9)=(8/4)
		Rate (3)	Revenue (4)=(2*3)		Rate (6)	Revenue (7)=(2*6)		
High Pressure Sodium								
100 Watt	307,920	\$5.22	\$1,607,342	\$6.32	\$7.60	\$2,340,192	\$732,850	45.59%
150 Watt	203,304	\$6.18	\$1,256,419	\$7.00	\$8.40	\$1,707,754	\$451,335	35.92%
200 Watt	26,856	\$7.89	\$211,894	\$8.42	\$10.10	\$271,246	\$59,352	28.01%
400 Watt	1,668	\$12.75	\$21,267	\$12.06	\$15.35	\$25,604	\$4,337	20.39%
100 Watt Post Top	9,924	\$8.99	\$89,217	\$8.89	\$10.80	\$107,179	\$17,962	20.13%
150 Watt Post Top	528	\$14.69	\$7,756	\$9.52	\$17.65	\$9,319	\$1,563	20.15%
200 Watt Floodlight	21,096	\$9.17	\$193,450	\$9.59	\$11.55	\$243,659	\$50,209	25.95%
400 Watt Floodlight	45,084	\$12.61	\$568,509	\$12.74	\$15.30	\$689,785	\$121,276	21.33%
Metal Halide								
250 Watt Floodlight	1,092	\$14.37	\$15,692	\$11.06	\$17.25	\$18,837	\$3,145	20.04%
400 Watt Floodlight	9,660	\$18.81	\$181,705	\$12.80	\$22.60	\$218,316	\$36,611	20.15%
1000 Watt Floodlight	1,152	\$40.37	\$46,506	\$24.14	\$48.55 *	\$55,930	\$9,424	20.26%
Mercury Vapor *								
175 Watt	31,692	\$5.36	\$169,869		\$8.40	\$266,213	\$96,344	56.72%
400 Watt	2,184	\$8.95	\$19,547		\$14.00	\$30,576	\$11,029	56.42%
175 Post Top	192	\$6.24	\$1,198		\$9.75 *	\$1,872	\$674	56.25%
Facilities Charge								
Pole	44,904	\$1.80	\$80,827	\$7.75	\$2.30	\$103,279	\$22,452	27.78%
Span	47,172	\$1.00	\$47,172	\$2.06	\$1.30	\$61,324	\$14,152	30.00%
Lateral	744	\$5.35	\$3,980	\$1.58	\$5.35	\$3,980	\$0	0.00%
Base Revenue						\$6,155,065	\$1,632,714	
Fuel Clause						-\$24,557		
Total						\$6,130,508		
Revenue Target						\$6,130,512		
Difference							-\$4	
Scale Factor		1.202						

* In process of elimination (2x Increase)

Lamp Type & Size (1)	Estimated Installed Cost (2)	Monthly Facility Cost (3)=(2)*FCCR	Annual Maintenance Cost (4)	Consumption in kWh		Energy Cost @ \$0.03532 per kWh (7)=(6)*EC	Estimated Monthly Maintenance (8)	Lighting Cost Estimate (9)=(3+7+8)
				Annual (5)	Monthly (6)			
High Pressure Sodium (HPS)								
100 Watt	\$243.25	\$3.79	\$13.31	484	40.3	\$1.42	\$1.11	\$6.32
150 Watt	\$244.56	\$3.82	\$13.31	704	58.7	\$2.07	\$1.11	\$7.00
200 Watt	\$275.92	\$4.30	\$13.70	1,012	84.3	\$2.98	\$1.14	\$8.42
400 Watt	\$321.16	\$5.01	\$13.90	2,000	166.7	\$5.89	\$1.16	\$12.06
100 Watt Post Top	\$527.12	\$6.27	\$14.39	484	40.3	\$1.42	\$1.20	\$8.89
150 Watt Post Top	\$525.22	\$6.25	\$14.39	704	58.7	\$2.07	\$1.20	\$9.52
200 Watt Floodlight	\$348.98	\$5.44	\$14.09	1,012	84.3	\$2.98	\$1.17	\$9.59
400 Watt Floodlight	\$364.34	\$5.68	\$14.09	2,000	166.7	\$5.89	\$1.17	\$12.74

Metal Halide

250 Watt Floodlight	\$365.26	\$5.70	\$21.82	1,204	100.3	\$3.54	\$1.82	\$11.06
400 Watt Floodlight	\$379.28	\$5.92	\$15.59	1,896	158.0	\$5.58	\$1.30	\$12.80
1000 Watt Floodlight	\$529.84	\$8.27	\$30.13	4,540	378.3	\$13.36	\$2.51	\$24.14

	Fixed Cost CC Rate Using 10-Yr Inv Life	Fixed Cost CC Rate Using 20-Yr Inv Life	Outdoor Lighting (OL) Cost of Service	
Return	7.84%	7.84%	Demand Revenue Requirement	\$450,657
Depreciation	7.78%	3.05%	Energy Revenue Requirement	\$688,282
F.I.T.	0.95%	1.17%	Cust. Related Revenue Req.	
Prop Taxes, Adm & Gen'l	2.17%	2.17%	O&M Expenses	\$778,538
Annual Total	18.74%	14.23%	Payroll Tax	\$35,355
			Reg. Commission Tax	\$6,297
Monthly Total FCCRR	1.56%	1.19%	State Income Tax	-\$30,472
			Less: Acct 598	\$468,604
			B&A Rev Excl Direct Ltg Costs	\$1,460,053
			Class Metered Energy	41,336,355
			Energy Rate (\$/kWh)	\$0.03532

Kentucky Power Company
SL Rate Design
Twelve Months Ended June 30, 2005

Lamp Type & Size (1)	Annual Number of Lamps (2)	Present		Cost Based		Proposed		Annual Increase (9)	Percent Increase (10)=(8/4)	
		Rate (3)	Revenue (4)=(2*3)	Lamp (5)	Lamp w/pole (6)	Rate (7)	Revenue (8)=(2*5 or 6)			
<u>Service on Existing Wood Poles</u>										
9,500 Lumen HPS	92,328	4.56	421,016	5.79	n.a.	5.60	517,037	96,021	22.81%	
16,000 Lumen HPS	672	5.10	3,427	6.55	n.a.	6.35	4,267	840	24.51%	
22,000 Lumen HPS	26,424	5.93	156,694	8.08	n.a.	7.80	206,107	49,413	31.53%	
50,000 Lumen HPS	6,348	8.22	52,181	11.58	n.a.	11.20	71,098	18,917	36.25%	
<u>Service on New Wood Poles</u>										
9,500 Lumen HPS	5,508	7.19	39,603	5.79	9.27	8.95	49,297	9,694	24.48%	
16,000 Lumen HPS	168	7.85	1,319	6.55	10.03	9.70	1,630	311	23.57%	
22,000 Lumen HPS	5,484	9.17	50,288	8.08	11.56	11.20	61,421	11,133	22.14%	
50,000 Lumen HPS	1,476	11.47	16,930	11.58	15.06	14.55	21,476	4,546	26.85%	
<u>Service on New Metal or Concrete Poles</u>										
9,500 Lumen HPS	0	14.63	0	5.79	10.83	14.65	0	0	0.14%	
16,000 Lumen HPS	0	15.20	0	6.55	11.60	15.20	0	0	0.00%	
22,000 Lumen HPS	768	19.20	14,746	8.08	13.12	19.20	14,746	0	0.00%	
50,000 Lumen HPS	852	20.02	17,057	11.58	16.63	20.00	17,040	-17	-0.10%	
Subtotal							\$964,119	\$190,858		
Fuel								-\$4,880		
Total							\$959,239			
Revenue Target							\$959,260			
Difference								-\$21		
Scale Factor		0.9676								

Lamp Type & Size (1)	Estimated Installed Cost (2)	Monthly Facility Cost (3)=(2)*FCCRR	Annual Maintenance Cost (4)	Consumption in kWh		Energy Cost @ \$0.03822 per kWh (7)=(6)*EC	Estimated Monthly Maintenance (8)	Lighting Cost Estimate (9)=(3+7+8)
				Annual (5)	Monthly (6)			
High Pressure Sodium (HPS)								
5,800 Lumen	\$254.40	\$3.16	\$13.31	344	28.7	\$1.10	\$1.11	\$5.37
9,500 Lumen	\$252.55	\$3.14	\$13.31	484	40.3	\$1.54	\$1.11	\$5.79
16,000 Lumen	\$257.46	\$3.20	\$13.36	704	58.7	\$2.24	\$1.11	\$6.55
22,000 Lumen	\$299.21	\$3.72	\$13.70	1,012	84.3	\$3.22	\$1.14	\$8.08
27,000 Lumen	\$327.76	\$4.07	\$13.90	1,012	84.3	\$3.22	\$1.16	\$8.45
50,000 Lumen	\$326.28	\$4.05	\$13.90	2,000	166.7	\$6.37	\$1.16	\$11.58
9,500 Lumen Post Top	\$434.59	\$5.40	\$14.39	484	40.3	\$1.54	\$1.20	\$8.14

Lamp Type & Size (1)	Lamp Cost (2)	Pole Type (3)	Pole Cost (4)	Estimated Installed Cost (5)	Monthly Facility Cost (6)=(5)*FCCRR	Annual Maintenance Cost (7)	Consumption in kWh		Energy Cost @ \$0.03822 per kWh (10)=(6)*EC	Estimated Monthly Maintenance (11)	Lighting Cost Estimate (12)=(5+10+11)
							Annual (8)	Monthly (9)			
High Pressure Sodium (HPS)											
5,800 Lumen	\$254.40		280.08	\$534.48	\$6.64	\$13.31	344	28.7	\$1.10	\$1.11	\$8.85
9,500 Lumen	\$252.55		280.08	\$532.63	\$6.62	\$13.31	484	40.3	\$1.54	\$1.11	\$9.27
16,000 Lumen	\$257.46	New Wood	280.08	\$537.54	\$6.68	\$13.36	704	58.7	\$2.24	\$1.11	\$10.03
22,000 Lumen	\$299.21		280.08	\$579.29	\$7.20	\$13.70	1,012	84.3	\$3.22	\$1.14	\$11.56
50,000 Lumen	\$326.28		280.08	\$606.36	\$7.53	\$13.90	2,000	166.7	\$6.37	\$1.16	\$15.06
High Pressure Sodium (HPS)											
5,800 Lumen	\$254.40		406.05	\$660.45	\$8.21	\$13.31	344	28.7	\$1.10	\$1.11	\$10.42
9,500 Lumen	\$252.55		406.05	\$658.60	\$8.18	\$13.31	484	40.3	\$1.54	\$1.11	\$10.83
16,000 Lumen	\$257.46	New Concrete/Metal	406.05	\$663.51	\$8.24	\$13.36	704	58.7	\$2.24	\$1.11	\$11.60
22,000 Lumen	\$299.21		406.05	\$705.26	\$8.76	\$13.70	1,012	84.3	\$3.22	\$1.14	\$13.12
50,000 Lumen	\$326.28		406.05	\$732.33	\$9.10	\$13.90	2,000	166.7	\$6.37	\$1.16	\$16.63

	FCCRR 20-Yr Inv Life
Return	7.84%
Depreciation	2.91%
F.I.T.	1.31%
Prop Taxes, Adm & Gen'l	2.85%
Annual Total	14.91%
Monthly Total FCCRR	1.24%

Street Lighting (SL) Cost of Service
Test Year Ended 6/30/2005

Demand-Related Revenue Reqmt	\$121,647
Energy-Related Revenue Reqmt	142,824
Customer-Related Revenue Requirement	
O&M Expenses	129,534
Payroll Tax	2,844
Reg. Commission Tax	1,026
State Income Tax	13,962
Less: Account 585	11,424
Account 596	86,472
B&A Rev Excl Direct Ltg Cost	\$313,941
Class Metered Energy	8,214,856
Energy Rate (\$/kWh)	\$0.03822

**Kentucky Power Company
Tariff NUG Rate Design
Twelve Months Ended June 30, 2005**

<u>Coincident Demands:</u>	<u>Secondary Demand</u>	<u>Primary Demand</u>	<u>Subtran Demand</u>	<u>Bulk Tran Demand</u>
Metered				
LGS	1,057,908	234,012	219,864	
QP		377,472	1,166,136	53,904
CIP-TOD			2,753,544	315,456
Total Metered	1,057,908	611,484	4,139,544	369,360

Composite Loss Factors to Generation **1.04605** **1.03054**

<u>Loss Adjusted to Generation</u>				
LGS	1,158,684	250,272	230,100	
QP		403,428	1,219,776	55,560
CIP-TOD			2,880,288	325,080
Total Loss Adjusted	1,158,684	653,700	4,330,164	380,640

Functional Billing Demand @ Generation **1,812,384** **5,743,824*** **6,523,188**

* Distribution Load Served by Subtransmission System: 78%

<u>Sales Revenue:</u>	<u>Generation, Distribution & Customer Revenue</u>	<u>Subtransmission Revenue</u>	<u>Bulk Transmission Revenue</u>	<u>Total Revenue</u>
LGS	41,713,594	2,593,0124,04	8,576	48,355,182
QP	36,826,230	3,088,8124,31	5,961	44,231,003
CIP-TOD	70,647,050	5,338,5917,70	3,598	83,689,239
Total	\$149,186,874	\$11,020,415	\$16,068,135	\$176,275,424

<u>Functional Rates:</u>		<u>Subtran</u>	<u>Bulk Tran</u>	<u>Total</u>
Sales Revenue		\$11,020,415	\$16,068,135	
Functional Demand		5,743,8246,52	3,188	
Rate @ Generation		\$1.92	\$2.46	
Rate @ Subtransmission	(Rate @ Gen x 1.04605)	\$2.01	\$2.58	\$4.59
Rate @ Transmission	(Rate @ Gen x 1.03054)		\$2.54	\$2.54

I. Assumptions

		<u>Variable</u>	<u>Value</u>
A)	Capital Cost per kW of Capacity	V	\$198 /kW
B)	Weighted Cost of Capital (Workpaper S-2)	R	7.84%
C)	Carrying Charge Rate	CCR	12.44%
D)	Operation & Maintenance Cost per Year (Fixed & Variable)	O	\$2.61 /kW
E)	Line Losses	L	8.60%
F)	Estimated Unit Life	N	30 years
G)	Present Value of Carrying Charge for \$1 Investment for N years	D	1.4219
H)	Fixed Operation and Maintenance Cost Escalation Rate	IO	2.10%
I)	Construction Cost Escalation Rate	IP	2.10%

II. Calculation of Present Value of Carrying Charge

$$D = CCR \times \frac{(1 + R)^N - 1}{R \times (1 + R)^N}$$

D = 12.44% x $\frac{8.6249}{0.7546}$ = 1.4219

III. Calculation of Unadjusted Monthly Avoided Cost of Capacity

$$C = \left(\frac{1}{12}\right) \times \left[\frac{(D \times V \times \frac{S1}{S2} \times S3) + (S4 \times S5)}{S6} \right]$$

Where:

$$S1 = 1 - \frac{1 + IP}{1 + R}$$

$$S2 = 1 - \left(\frac{1 + IP}{1 + R}\right)^N$$

$$S3 = (1 + IP)^{(T-1)}$$

$$S4 = O \times \left(\frac{1 + IO}{1 + R}\right)$$

$$S5 = (1 + IO)^{(T-1)}$$

$$S6 = 1 - \frac{L}{2}$$

Calculation for First Year

T =	1		
S1 =	0.0532	S4 =	2.4711
S2 =	0.8062	S5 =	1.0000
S3 =	1.0000	S6 =	0.9570

$$C = \left(\frac{1}{12}\right) \times \left[\frac{(1.4219 \times 198 \times \frac{0.0532}{0.8062} \times 1) + (2.4711 \times 1)}{0.9570} \right]$$

C = \$1.83

Calculation for Second Year

T =	2		
S1 =	0.0532	S4 =	2.4711
S2 =	0.8062	S5 =	1.0210
S3 =	1.0210	S6 =	0.9570

C = \$1.87

Calculation for Third Year

T =	3		
S1 =	0.0532	S4 =	2.4711
S2 =	0.8062	S5 =	1.0424
S3 =	1.0424	S6 =	0.9570

C = \$1.91

Three Year Average Avoided Cost of Capacity = \$1.87
TOD Measurement

Three Year Average Avoided Cost of Capacity = \$0.78
Standard Measurement

Cost Calculations (Support Page 1, Assumptions A & D)

I. Fixed Operations & Maintenance Cost per kW (2004 Dollars)

Fixed Operations & Maintenance Cost		12.41 mills/kWh
Hours per Year	x	8,760 hours
Unit Size	x	84,000 kW
Planned Outage Rate	x	2.00%
Total Fixed O&M Cost		\$182,635 /year
Unit Size	/	84,000 kW
Per Unit Fixed O&M Cost		\$2.17 /kW

II. Variable Operations & Maintenance Cost per kW (2004 Dollars)

Variable Operations & Maintenance Cost		2.50 mills/kWh
Hours per Year	x	8,760 hours
Unit Size	x	84,000 kW
Planned Outage Rate	x	2.00%
Total Variable O&M Cost		\$36,792 /year
Unit Size	/	84,000 kW
Per Unit Variable O&M Cost		\$0.44 /kW

III. Total Operations & Maintenance Cost per kW (2004 Dollars)

Fixed O&M Cost		\$2.17 /kW
Variable O&M Cost	+	0.44 /kW
Total O&M Cost (Page 1, Assumption D)		\$2.61 /kW

I. Calculation of Annual Carrying Charge Rate (Page 1, Assumption C)

	<u>Variable</u>	<u>Value</u>
Weighted Cost of Capital	R	7.84%
Property Tax Rate:		
Account 4081005	6,869,713	
Electric Plant in Service	/ 1,319,106,897	
Property Tax Rate	a	0.52%
Insurance Rate:		
Account 9240000	314,058	
Electric Plant in Service	/ 1,319,106,897	
Insurance Rate	p	0.02%
Depreciation Rate	d	1.69%
Composite Tax Rate	ct	39.96%
Book Depreciation	bd	3.33%
Rate on Debt Capital	b	5.53%
Debt Ratio	dr	60.46%

$$CCR = R + a + p + d + \left[\left(\frac{ct}{1-ct} \right) \times (R + d - bd) \times \left(\frac{R - (b \times dr)}{R} \right) \right]$$

CCR = 12.44%

I. <u>Energy Payment Calculation *</u>	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Non-TOD</u>
A. <u>Potential Loss Savings</u>			
Primary Losses			6.40%
Divided by 2	/		2
Loss Adjustment (Potential Loss Savings)			3.20%
B. <u>Time-of-Day Energy Payments</u>			
Avoided Energy Costs (2006-2008 Average)	3.43	2.22	¢/kWh
Divided by (1 - Loss Savings)	/	0.9680	0.9680
Time-of-Day Energy Payments	3.54	2.29	¢/kWh
C. <u>Non-Time-of-Day Energy Payment</u>			
Time-of-Day Energy Payments	3.54	2.29	¢/kWh
Hours per Year	x	3,654	5,106
Weighted Average of Hourly TOD Payments	12,935	11,693	24,628
Hours Per Year			8,760
Non-Time-of-Day Energy Payment			2.81 ¢/kWh

* On-Peak Period is 7am - 9pm, Monday through Friday
Off-Peak Period is all other hours

II. Demand and Energy Loss Calculations **

<u>System</u>	<u>Demand</u>	<u>Energy</u>
Transmission	3.5%	2.9%
Subtransmission	1.4%	1.0%
Primary	3.5%	2.4%
Compound Loss Factor	8.6%	6.4%

** Assuming COGEN/SPP Service at Primary

I. <u>Annual Carrying Charge Rates</u>	<u>Variable</u>	<u>Value</u>
Fixed Costs		13.1%
O&M		2.8%
Carrying Costs	CC	15.8%

II. <u>Charges</u>		
Contingencies		5%
Stores Expense		17%
Total Charges on Material	MC	22%
Labor		68%
Transportation Expense		60%
Total Charges on Labor	LC	128%

III. <u>Overheads</u>		
Company Construction Overheads	OC	36%

IV. Monthly Charge on Incremental Material

IM = Incremental Material Cost
 IL = Incremental Labor Cost (50% of Material) = 0.5 x IM

$$\text{Monthly Charge on IM} = (1 + OC) \times [(1 + MC) \times IM + (1 + LC) \times IL] \times \frac{CC}{12}$$

Monthly Charge on IM = 4.23% of Incremental Material Cost

V. Monthly Meter Charges

Incremental <u>Material (IM)</u>	Monthly <u>Charge</u>	Average <u>Charge</u>
	4.23%	

Standard Measurement

Single Phase

Option 2 - Primary - Transformer Rated	251	\$10.62	
Option 2 - Secondary - Self-Contained	22	0.93	
Option 3 - Primary - Transformer Rated	251	10.62	
Option 3 - Secondary - Transformer Rated	251	10.62	
Option 3 - Secondary - Self Contained	22	0.93	
Total		\$ 33.72 / 5 =	\$6.74
		Use:	\$6.75

Polyphase

Option 2 - Primary - Transformer Rated	251	\$10.62	
Option 2 - Secondary - Self-Contained	123	5.2	
Option 3 - Primary - Transformer Rated (or Sec. >200 Amps)	251	10.62	
Option 3 - Secondary - Transformer Rated (Below 200 Amps)	251	10.62	
Option 3 - Secondary - Self Contained (Below 200 Amps)	123	5.2	
Total		\$ 42.26 / 5 =	\$8.45
		Use:	\$8.45

Time-of-Day Measurement

Single Phase

Option 2 - Primary - Transformer Rated	260	\$11.00	
Option 2 - Secondary - Self-Contained	88	3.72	
Option 3 - Primary - Transformer Rated	260	11	
Option 3 - Secondary - Transformer Rated	260	11	
Option 3 - Secondary - Self Contained	22	0.93	
Total		\$ 37.65 / 5 =	\$7.53
		Use:	\$7.55

Polyphase

Option 2 - Primary - Transformer Rated	260	\$11.00	
Option 2 - Secondary - Self-Contained	132	5.58	
Option 3 - Primary - Transformer Rated	260	11	
Option 3 - Secondary - Transformer Rated	260	11	
Option 3 - Secondary - Self Contained	132	5.58	
Total		\$ 44.16 / 5 =	\$8.83
		Use:	\$8.85

Section 292.302(b) (1)

AEP SYSTEM EASTERN ZONE
ESTIMATED "AVOIDED COSTS" OF ENERGY
FOR ASSUMED LEVELS OF COGENERATION PURCHASES
2005 - 2010
(Cents Per Kilowatt-Hour)

	<u>ASSUMED COGENERATION PURCHASE LEVEL</u>			
	<u>First</u>		<u>Second</u>	
	<u>100-MW</u>	<u>Block</u>	<u>100-MW</u>	<u>Block</u>
	<u>Peak</u>	<u>Off-Peak</u>	<u>Peak</u>	<u>Off-Peak</u>
2005	3.01	2.30	2.98	2.29
2006	3.69	2.37	3.66	2.36
2007	3.40	2.15	3.37	2.14
2008	3.21	2.13	3.17	2.12
2009	3.38	2.17	3.34	2.16
2010	3.76	2.22	3.70	2.21

Notes: A. The peak costing period is 0700 to 2100 local time Monday through Friday. All other hours comprise the off-peak costing period.

B. Energy costs are expressed in current-year dollars.

I. Calculation of Cost Escalation Rates *

<u>Year</u>	<u>Rate</u>	<u>Cumulative Escalation Rates</u>
2005	2.5%	1.02500
2006	2.7%	1.05268
2007	2.4%	1.07794
2008	2.0%	1.09950
2009	2.1%	1.12259
2010	2.1%	1.14616
2011	2.1%	1.17023
2012	2.1%	1.19481
2013	2.1%	1.21990
2014	2.1%	1.24551
2015	2.1%	1.27167
2016	2.1%	1.29838
2017	2.1%	1.32564
2018	2.1%	1.35348
2019	2.1%	1.38190
2020	2.1%	1.41092
2021	2.1%	1.44055
2022	2.1%	1.47080
2023	2.1%	1.50169
2024	2.1%	1.53323
2025	2.1%	1.56542
2026	2.1%	1.59830
2027	2.1%	1.63186
2028	2.1%	1.66613
2029	2.1%	1.70112

Compound Escalation Rate:	2005 to 2029 =	1.70112
Number of Years		25
Average Rate (25th Root)		2.1%

* Based upon Economy.com, Inc., Précis: U.S. Macro, GDP Chain Price Deflator

II. Calculation of Meter O&M Expense as a % of Original Cost

Account 586 - Operation	508,323
Account 597 - Maintenance	70,804
Total O&M	579,127
Account 370 - Meter Plant	20,941,912
O&M Percentage	2.8%